Reclaim Fund Ltd

BUILDING ON SUCCESS



Annual Report and Accounts 2022/2023





HC 1679

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

CONTENTS

ABOUT US

At a glance 2

STRATEGIC REPORT

Chair's review 4
Chief Executive's review 6
From dormancy to distribution 8
Scheme Expansion 10
Expanding our reach 12
Business review 14
Section 172 statement 18
Sustainability report 20
Risk management 22

GOVERNANCE

Introducing our Board 27
The Board 28
Corporate Governance report 30
Remuneration and staff report 40
Directors' report 46
Statement of Directors' and Accounting Officer's responsibilities 47
Parliamentary Accountability and Audit report 48
Independent auditor's report 49

FINANCIAL STATEMENTS

Income statement 59
Statement of comprehensive income 60
Statement of financial position 61
Statement of cash flows 62
Statement of changes in equity 63
Notes to the Company financial statements 64

OTHER INFORMATION

Participating banks and building societies 81
Glossary 83
Company information and advisors 84

The focus of this year's report is building on our experience and success. You can find out how we are doing this whenever you see this icon throughout the report

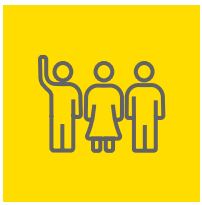
OUR PURPOSE

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



AGILE

We adopt a hybrid working model, with a collaborative working hub at our office and flexible remote working. We are adapting our processes, technology and mindset to expand for the Dormant Assets Scheme and position the business for growth.



COLLABORATION

Underpinned by the strong relationships held with Government, regulators, trade bodies and industry champions, we are realising the vision of Scheme expansion, as envisaged in the Dormant Assets Act 2022.



RESPONSIBILITY

We were delighted to be re-accredited with the Gold Standard 'We Invest in Wellbeing' demonstrating our responsibility to our team in ensuring their physical and mental wellbeing.



INTEGRITY

We are committed to quality, honesty, good governance and sound risk management in everything we do.
We are a trusted partner to Scheme Participants, Government and regulators. Mutual trust is a valued behaviour across the RFL team.

AT A GLANCE

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

SCHEME IN NUMBERS

£1.7bn
DORMANT ACCOUNT BALANCES TRANSFERRED SINCE INCEPTION

£892m
TOTAL AMOUNTS PAID TO THE NATIONAL LOTTERY COMMUNITY FUND ('TNLCF') SINCE INCEPTION

£90m
APPROVED FOR FURTHER DISTRIBUTION TO TNLCF

£136m
CUMULATIVELY RECLAIMED BY ACCOUNT HOLDERS

167,000
ACCOUNTS RECLAIMED

36
PARTICIPANTS IN MAIN SCHEME

5
PARTICIPATING BUILDING SOCIETIES IN THE ALTERNATIVE SCHEME

KEY ACHIEVEMENTS

- Banks and building societies participating in the Scheme transferred a further £143m to RFL in 2022/23, bringing the total to £1.74bn since inception.
- We welcomed Saffron Building Society and Marsden Building Society as our fourth and fifth Participants to the Alternative Scheme, alongside HSBC – London Branch and Malayan Banking Berhad (known as Maybank) who joined the Main Scheme.
- In June 2023, we welcomed Aviva to the Expanded Scheme and opened to Participants in the Insurance and Pensions sectors.

NEW PARTICIPANT

marsden BUILDING SOCIETY

Since Marsden Building Society was founded in 1860, its goal has always been to build something better for the community. Its Charitable Foundation provides funding for projects in Lancashire supporting three key themes, which are closely aligned with the Scheme's dormant assets funding priorities:

Financial wellbeing

Supporting and encouraging financial well-being in the community.

A society for all

Creating an inclusive community and supporting those around us.

A great place to be

Improving the environment and regenerating the local area.

"As a mutual building society, our members and communities have always been at the heart of what we do. Joining the Dormant Assets Scheme, together with the creation of our Charitable Foundation, enables us to provide more financial support to the communities we are part of, helping to make a difference to some of the key issues we feel are close to our members' hearts."

Robert Pheasey
Chief Executive,
Marsden Building Society



SOCIAL INVESTMENT

Wales

In February 2023, The National Community Lottery Fund Cymru celebrated £4.5 million in new grants for 15 new initiatives aimed at tackling climate change in communities across Wales.



www.tnlcommunityfund.org.uk/funding/wales

PRINCIPLES OF THE DORMANT ASSET SCHEME

1. REUNIFICATION FIRST

- Consumer protection is the priority.
- Assets are only classed as 'dormant' and made available to the Scheme after concerted attempts to reunite them with their owners.

2. VOLUNTARY PARTICIPATION

- The Scheme is voluntary to companies in eligible sectors.
- Eligible Participants can choose whether to contribute to the Scheme and to what extent.

3. LIFELONG RIGHT TO RECLAIM

- Owners and their beneficiaries can, at any time, reclaim the amount that would have been due to them had a transfer into the Scheme not occurred.
- RFL ensures that sufficient funds are available at any time so this guarantee can always be fulfilled.
- Customers reclaim the value of assets through their provider, which is reimbursed by RFL

CHAIR'S REVIEW

JANE HANSON CBE



This past year has been truly momentous for RFL: We have opened our doors to newly eligible Participants and asset classes whilst continuing to ensure that customers remain fully protected in perpetuity. Both have been achieved in a context of maintaining the highest level of good governance and risk management.

> Throughout RFL, we have made significant progress in evolving and strengthening our operating structure as we take on a broader role and responsibilities across a wider dormant assets landscape."

When I wrote my Chair's Review at this time last year, I was expecting to complete my term of office at RFL. I am thrilled to have had the opportunity to spend a further year continuing to work with the organisation which I have so loved being a part of, and to lead the launch of Scheme expansion.

I will step down as Chair in July 2023, having served 11 years on the Board, with nearly 9 of those as Chair. I leave with a mixture of pride and deep fondness for this very special company which has helped and continues to help make such a profound difference to people's lives.

I'm grateful for this final opportunity to pay tribute to the team, led by our excellent Chief Executive, Adrian Smith OBE, behind the significant progress and impact RFL has made over the past 12 months. RFL is now fit and ready to build on the strengths of the existing Main and Alternative Schemes for banks and building societies and to welcome new Participants from other financial services sectors to the expanded Scheme. Our new Chair, Lawrence Weiss, takes the reins over the summer and he will find a thriving organisation that continues to have a transformational impact on people's lives. I send my warmest congratulations and good wishes to Lawrence.

STRONG GOVERNANCE

I have always been fortunate to work with a strong Board at RFL. This year, we were sorry to lose Jonathan Gorrie, our shareholder-nominated Director, who leaves the Board with our warmest thanks for his contribution, and we welcomed Holger Vieten, as his replacement.

We were also delighted that three new independent Non-Executive Directors have joined the Board: Judith Buttigieg, Donal Quaid and Saleh Saeed, all of whom are already making a positive impact on the Board and the wider business.

We used the natural cycle of Board changes as an opportunity to conduct a skills analysis which helped us to appoint new Directors who offer the skills and experience that we need to support the business as we open the expanded Scheme. As a result, our newly constituted Board is now well positioned to move forward with a renewed sense of purpose and confidence, in the knowledge that we have a rich diversity of backgrounds, perspectives, experience and specialist skills, underpinned by a robust approach to managing risk. I am very grateful to my Board colleagues for their significant contributions, passionate engagement and support during the year.

CELEBRATING COLLABORATION

RFL is now firmly established as an Arm's Length Body ('ALB') under the ownership of our shareholder HM Treasury ('HMT'), and overseen on HMT's behalf by UK Government Investments ('UKGI'). We have deepened our collaboration and working relationships with Government, whilst maintaining our commitment to the principles and values that have underpinned the Scheme from the start. I would like to thank both HMT and UKGI for their unwavering support during the year.

Once again, RFL was recognised as a great place to work during the year, and was awarded a Gold Investors in People accolade. A great and well deserved achievement.

The realisation of Scheme expansion is testament to the passion, commitment and expertise of not only everyone at RFL, but also across the wider dormant assets ecosystem, past and present. My very sincere thanks to my colleagues on the Dormant Assets Expansion Board ('DAEB'), which I have the privilege of chairing, comprising a broad and diverse group of passionate professionals including government departments, regulators, financial services industry representatives and industry bodies as well as RFL who continue to work tirelessly through the various challenges, towards the shared vision of making Scheme expansion a reality across the newly eligible sectors following the legislation passed in 2022.

RFL has already created a strong legacy over the past 11 years through the success of the Dormant Assets Scheme. This year, we have continued to build on this success. In doing so, we have established an internationally recognised model which is now proving its adaptability and resilience to be a genuine force for good in UK society. The precedent set by banks and building societies offers a blueprint for newly eligible Participants, and I am as excited as I was on my first day as Chair to see RFL and our public and private sector partners rise to the challenge of unlocking more dormant assets for good.

JANE HANSON CBE
Chair
11 July 2023

CHIEF EXECUTIVE'S REVIEW

ADRIAN SMITH OBE



A year of continued success for the established Schemes was also characterised by challenge and change as we progressed on the Scheme expansion journey.

> Effective collaboration and strong working relationships have made 2022/23 another significant year for distributions by RFL."

BUILDING FOR THE FUTURE

Over the past 12 months, we have continued our unwavering focus on meeting the expectations of industry, Government and our regulator through ongoing delivery of the Main and Alternative Schemes. Both Schemes remain robust and continue to grow. We have received significant transfers of funds from Participants, and we were delighted to welcome new organisations – Saffron Building Society and Marsden Building Society – to the Alternative Scheme, bringing the combined number of banks and building societies involved across both Schemes to 41.

As a result, we are moving steadily towards the milestone of £1 billion of dormant asset funding to good causes since the Scheme first opened, transforming lives and communities through thousands of social and environmental initiatives.

At the same time, any customer or their estate can reclaim their forgotten funds in full at any point in time, as if a transfer to the Scheme had never taken place.

None of this would have been possible without the steadfast support of banks and building societies who have made the Scheme what it is today, nor would we be in a position to expand the Scheme without their commitment, for which I would like to express my sincere appreciation. I would also like to acknowledge the extensive and long-standing input of our industry association partners, whose expertise and influence have been vital to the success of the existing Scheme as well as developing and realising the blueprint for expansion.

THE JOURNEY THROUGH SCHEME EXPANSION

Today's socio-economic challenges mean that the need to unlock dormant assets to benefit the most vulnerable in our society is more acute than ever. In this context, the Dormant Assets Act 2022 was a milestone in the work that has taken place over many years to expand the Scheme to new sectors, and amplify the positive impact of dormant assets funding even further. The Act did not mark the end of the journey towards Scheme expansion, but rather, the beginning of the critical next phase from legislation into implementation and realisation.

This phase of the journey has not been an easy one, given the breadth of the dormant assets ecosystem, and the diverse priorities and objectives across RFL, Government, industry and regulators. However, the commitment, collaboration and hard work across this ecosystem that has been so apparent over the past year has led to the next significant milestone, notably the participation of Aviva in the Dormant Assets Scheme, which was announced in June 2023. As a result, RFL is now welcoming Participants with dormant insurance and pensions assets into the Scheme.

There remain challenges as we work with our ecosystem partners to expand the Scheme to the remaining sectors anticipated in the Dormant Assets Act, notably investments and wealth management, and Securities. As a result, we cannot yet say with confidence when the Scheme will be open to these sectors. Ultimately, the focus and vision is clear: to build participation across the new sectors that will in turn deliver an enormous benefit to the UK's most vulnerable communities.

CLARITY FOR GOOD CAUSES

At the same time that RFL and its ecosystem partners have been on the Scheme expansion journey, the Government consulted on the future direction of dormant assets funding. The outcome of this consultation, published in March 2023, was that existing causes – including youth, financial inclusion and social investment – will continue to benefit from the Scheme, along with community wealth funds.

This has been reassuring and motivating for current and potential Participants as these causes are aligned with their wider social objectives. I am confident that this renewed commitment to future dormant asset spend priorities in England will encourage further participation.

A YEAR OF TRANSITION AHEAD

Jane Hanson CBE completes her term of office as RFL's Chair in July 2023, and on behalf of the whole team and Board at RFL, I would like to pay tribute to Jane for all she has done for the organisation over the past 11 years. Jane has been a constant source of support and stability for our team and Board from the very beginning. She is only the second Chair in our history and by far the longest serving.

Jane has guided RFL through considerable challenges, including the economic challenges of the 2010s followed by the pandemic. She has also presided over the journey towards Scheme expansion, an achievement that cannot be overstated. I am also personally indebted to her for the support she has given me over more than a decade. It was a source of great pride for us all to see her contribution recognised with the award of her CBE in the Queen's Birthday Honours in June last year.

We are fortunate that our working relationship with Jane will continue, and the dormant assets ecosystem will continue to benefit from her experience, as she continues to chair the Dormant Assets Expansion Board. I also look forward to welcoming our new Chair, Lawrence M. Weiss, and embarking on the next stage of RFL's journey, building on our success so far to deliver an expanded Scheme that benefits Participants, consumers and the society in which we are all a part.

ADRIAN SMITH OBE
Chief Executive
11 July 2023

FROM DORMANCY TO DISTRIBUTION

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

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

RFL is authorised and regulated by the FCA as a dormant account fund operator.

The Dormant Bank and Building Society Accounts Act 2008 ('2008 Act') enabled banks and building societies, that choose to participate in the Scheme ('Participants') to transfer money held in eligible bank and building society accounts which have remained dormant for 15 years or more with no customer-initiated transactions to RFL ('dormant accounts'). 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.

The Dormant Assets Act 2022 ('2022 Act') expanded the scope of the Scheme to other financial assets that fulfil certain dormancy criteria ('dormant assets'), which are determined according to each asset class. More on Scheme expansion is provided on page 10.

RFL manages the money that it receives prudently in accordance with the 2008 and 2022 Acts ('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, building societies and sectors provided in the 2022 Act is voluntary.

The 2008 Act establishes two types of Scheme:

- a Main Scheme; and
- an Alternative Scheme.

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

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 list the organisations that participate in the Scheme and outline 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 ('TAA') 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 asset money to RFL, Participants must make attempts to reunify dormant asset holders with their funds. Where this proves unsuccessful, balances that meet the criteria set out in The Act may be eligible for transfer to RFL, provided they satisfy certain requirements specified in the TAA between RFL and Participants.

If dormant asset holders subsequently wish to reclaim their funds, the relevant bank, building society or Participant in new sectors 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.

Under the Act, RFL is required to manage dormant asset funds in such a way as to enable them to meet whatever repayment claims it is prudent to anticipate.

If RFL is, or looks likely to be, unable to meet its responsibility to repay the amount of owners' or beneficiaries' dormant asset balances owed to them, HM Treasury would assess the most appropriate course of action in line with these principles, which may include the use of a loan to RFL.

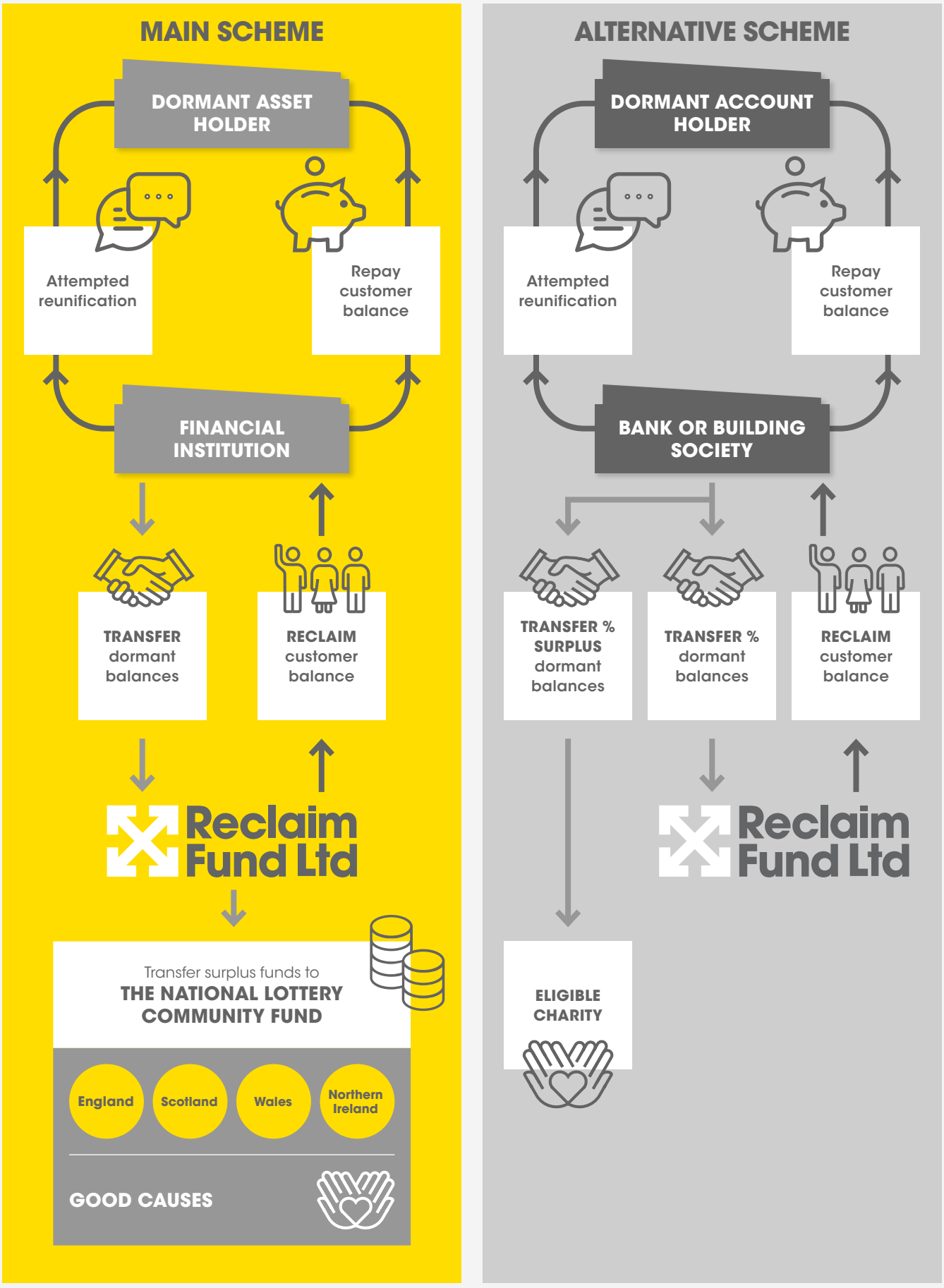
IF YOU THINK YOU HAVE UNCLAIMED MONIES IN A BANK OR BUILDING SOCIETY ACCOUNT

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



mylostaccount.org.uk

DORMANT ASSETS SCHEME



SCHEME EXPANSION

The Dormant Assets Act 2022 received Royal Assent in February 2022, a milestone in the journey towards Scheme expansion.

The 2022 Act expands the scope of the Dormant Assets Scheme to eligible assets in the insurance and pensions, investment and wealth management, and securities sectors. Expanding the Scheme to new assets and Participants has the potential to unlock a further estimated £880m to fund vital social and community initiatives.

Throughout the 2022/23 financial year, RFL worked closely with the DAEB to implement the legislation, including building operational and management capacity to manage a higher volume of Participant relationships, and greater complexity of assets. RFL appointed an Interim Chief Operating Officer in April 2023 to help deliver on these organisational and operational implications.

In June 2023, RFL announced that Aviva plc had joined the Dormant Assets Scheme, which marks the opening of the Scheme to the Insurance and Pensions sector. You can hear from Aviva plc about their Participation **here**.

Over the coming months, RFL will continue to work with its ecosystem partners to open the Scheme to other sectors anticipated in the Act. The timing of these expansion phases is not yet clear, given the outstanding regulatory and industry challenges that are outside RFL's control.

While Scheme expansion offers a unique opportunity both to reunite assets with their owners, and fund vital charitable and community activities across the UK, it is a voluntary Scheme, and as such, its success will be based entirely on companies' decision to participate.

SCHEME EXPANSION SECTORS

- **Insurance and Pensions**
- **Investment and Wealth Management**
- **Securities**

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



Stuart Andrew MP
Minister for Civil Society

"In the decade since its inception, the Dormant Assets Scheme has released over £892 million to help people and communities in the most disadvantaged parts of the UK. I am pleased that the Scheme continues to enjoy considerable support from participating banks and building societies, as well as from leading companies in the insurance and pensions, investment and wealth management, and securities sectors.

The Scheme is an excellent example of responsible collaboration between industry, government and civil society. Together, we do whatever we can to minimise dormancy occurring in the first place. Only when reuniting customers with their assets is not possible will funds be released to support social and environmental initiatives. Customers will always be able to reclaim the full amount owed to them, at any time."

OUR INDUSTRY CHAMPIONS

Tom Riley
Director of Banking & Savings, Nationwide Building Society



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

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

Kirsty Cooper
Group General Counsel and Company Secretary, Aviva plc



Kirsty Cooper served as a member of the Dormant Assets Commission in 2017 and has been the Industry Champion for Insurance & Pensions since 2018.

We have worked proactively with RFL and the wider dormant assets community for a number of years to expand the hugely successful Dormant Assets Scheme to the Insurance and Pensions sector.
It is great to see this work reach fruition and I am delighted that Aviva is the first participant in our sector. We hope Aviva's participation will encourage other companies to take part, with the dual purpose of reuniting customers with their assets and ensuring dormant assets can have a positive impact on our society."

Jasveer Singh
General Counsel, Jupiter Asset Management Limited



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

It is rare that unique and compelling opportunities emerge for our industry to demonstrate both good stewardship whilst making a direct and tangible contribution to financially and socially disadvantaged communities. The expansion of the Dormant Assets Scheme is one such opportunity which should align with the strategic priorities of firms in the industry given the underlying ESG and wider stakeholder engagement benefits. The sooner the Scheme is accessible to the sector, the earlier that companies can use the dormant assets on their balance sheet for such good causes."

Steve Allen
Group Company Secretary, Rio Tinto



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

Many companies are looking for tangible and measurable ways to deliver positive social impact and the Dormant Assets Scheme is an excellent opportunity to do this, whilst demonstrating responsibility to shareholders."

DORMANT ASSETS IN OUR COMMUNITIES

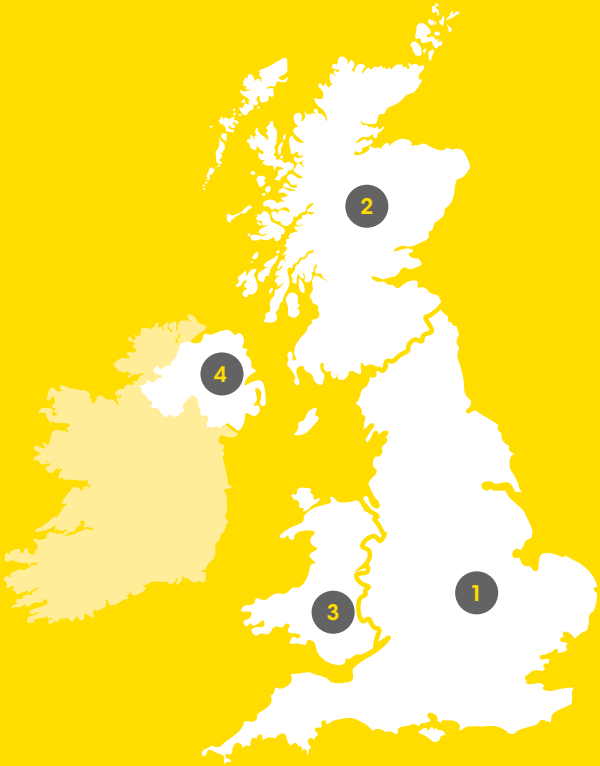
Scheme Participants have already enabled nearly £900m to be transferred to social and environmental causes across the UK so far, creating a far greater impact than a single organisation could make on its own.

Where does the money go?

RFL transfers surplus funds that are not required to cover future reclaims to TNLCF which apportions funds in line with the priorities determined in each of the four nations:

1. Financial Inclusion; Youth; Social Investment; Community Wealth Fund[1]
2. Young People: (Youth Start Programme)
3. Climate Change; Environmental; Sustainability; Young People
4. Increase the capacity, resilience and sustainability of the VCSE[2] sector

1 New cause announced in 2023 under plans yet to be drawn up.
2 Voluntary, Community and Social Enterprise.



In England, dormant assets funding is distributed to the four dormant assets organisations:

Big Society Capital
bigsocietycapital.com

Access – The foundation for Social Investment
access-socialinvestment.org.uk

Youth Futures Foundation
youthfuturesfoundation.org

Fair4All Finance
fair4allfinance.org.uk

YOUTH FUTURES FOUNDATION

Youth Futures Foundation recently announced a £200,000 grant to The London Progression Collaboration ('LPC'). LPC helps employers to create new apprenticeships for low-paid Londoners to progress into and in work.

The grant funds LPC to work with small and medium-sized businesses to create 1,000 new apprenticeships for young Londoners over a two-year period, focusing on those from disadvantaged and under-represented backgrounds, as well as to expand its mission-driven apprenticeship levy transfer service.



"We're delighted to be working with Youth Futures. Their support will allow the London Progression Collaboration to continue to build on our successful pilot, and to develop our work supporting small and medium-sized businesses to create high-quality apprenticeship opportunities which support disadvantaged young Londoners to progress into and in work."

ANNA AMBROSE
Director, London Progression Collaboration

£200,000

GRANT TO LONDON PROGRESSION COLLABORATION

BIG SOCIETY CAPITAL

Dormant assets delivering 1 million meals a year in Sheffield.

Food Works is Sheffield's sustainable food enterprise. Dormant assets in the form of social investment through Key Fund has supported Food Works since it was first launched, helping it to establish, grow and move into new premises. This has included £94,000 of loans to scale up its activities and invest in new revenue streams.



"Social investment has enabled us to deliver the million meals worth of sustainable food we deliver to the city every year – a mission which we know will become ever more critical as the climate emergency and cost- of-living crisis play out.

The Food Works Kitchen is all about upcycling food. Food Works Kitchen showcases how tasty and nutritious meals can be produced using unwanted ingredients and locally grown produce. Its chefs and volunteers cook and bake everything from scratch in our kitchens with zero waste. Even spent coffee grounds are freshly baked into delicious cookies!"

RENE MEIJER
Chief Executive, Food Works

BUSINESS REVIEW

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

Principal activities

The Act enables eligible organisations, that choose to participate, to transfer money in dormant assets 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.

In addition, the Alternative Scheme 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 asset holders to reclaim their money, at any time, is protected in perpetuity by transferring the individual's claim against his or her bank or building society to RFL.

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

Our story

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

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

RFL was originally established as a wholly owned subsidiary within the Co-operative Group Limited via its subsidiary Co-operative Financial Services Limited (now known as Angel Square Investments Limited ('ASIL')). In late 2019, the Office for National Statistics ('ONS') conducted a review of RFL and informed the Government of its decision to classify RFL as part of the central Government sector for statistical purposes, effective retrospectively to the point of RFL's establishment.

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

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

A Framework Document, setting out the broad governance framework within which RFL, HM Treasury, UK Government Investments (in its capacity as representative of HM Treasury) and the Department of Culture, Media and Sport ('DCMS') (in its joint policy role with HM Treasury) operate, has been agreed between HM Treasury and RFL and has been approved by HM Treasury in accordance with HM Treasury's handbook Managing Public Money. The Framework Document does not, however, convey any legal powers or responsibilities.

The Dormant Assets Act 2022 (the '2022 Act') received Royal Assent on 24 February 2022 with provisions of the 2022 Act commencing on 6 June 2022. The 2022 Act supplements and amends the 2008 Act, and, amongst other provisions, enables an authorised reclaim fund to accept, alongside dormant bank and building society accounts, a wider range of dormant assets, including certain assets in the insurance, pensions, investment, wealth management and securities sectors. To the extent applicable, the 2008 Act and 2022 Act are to be construed as one when considering the legislation in place for the 2022/2023 Annual Report and Accounts and are referred to as 'The Act'.

MERSEYSIDE YOUTH ASSOCIATION



ABBY WALKER
Talent Match Participant

"It has never been more important to invest in our young people so this generation isn't lost. With the right support, they can absolutely fly."

GILL BAINBRIDGE, CEO, Merseyside Youth Association
funded by Youth Futures Foundation

Watch our impact film here

BUSINESS REVIEW CONTINUED

KEY PERFORMANCE INDICATORS

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

Non-financial KPIs

Participants	Level of participation in the Scheme by banks and building societies.(note that sectors anticipated in the 2022 Act were not eligible to participate during the 2022/23 financial year).	During the 12 months to 31 March 2023, amounts were received in respect of dormant assets from 14 of the 36 Main Scheme Participants (2021/22: 20 of 34), and from 2 of the 5 Alternative Scheme Participants (2021/22: 2 of 3).
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[1]

AMOUNTS RECEIVED FROM PARTICIPANTS

£143.2m

2021/22: £154.0M

In 2022/23, Main Scheme transfers are in line with management's expectation, taking total transfers since inception to more than £1.74bn.

AMOUNTS SET ASIDE TO SUPPORT THE LONG-TERM BUSINESS

£635.9m

2021/22: £593.7M

The total amount reflects both the reclaim provision and the Company's capital and reserves that are available to support the long-term viability of the business, this being amounts required to meet reclaims in perpetuity under stressed conditions and regulatory requirements. The Board has determined that RFL holds sufficient capital to run the business in the long term and to meet its regulatory requirements.

INVESTMENT SECURITIES HELD

£446.7m

2021/22: £435.4M

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

LIQUIDITY – CASH HELD

£280.7m

2021/22: £250.3M

RFL predominantly holds cash balances with the Bank of England, which provides a highly liquid, secure position, with some cash being held by its Investment Manager.

ONGOING OPERATING COSTS

£4.6m

2021/22: £3.9M

Ongoing operating costs for the 12-month period reflect the business activities undertaken in 2022/23. These include staff costs, consultancy fees, professional services costs for legal and actuarial advice, investment management fees and the governance project reports for completing the transition to being an Arm's Length Body. Annual budgets are reviewed and approved by the Board, with costs being regularly monitored.

SCHEME EXPANSION SET-UP COSTS

£3.1m

2021/22: £0.6M

Project management, business consultancy, legal support on the new TAA in place for the new scheme, and regulatory advice that have been required in preparation for expansion of the scheme.

1 KPIs for 2022/2023 represent the 12-month financial period and for 2021/2022 represent the 15-month financial period.

Review of the year

During the 12-month period to 31 March 2023, the Company accepted £143.2m (15-month period to 31 March 2022: £153.8m) of dormant account transfers from 14 of the 36 Main Scheme participating UK banks and building societies (2021/22: 20 of 34). In total, the Company accepted the liability for £1.1m (2021/22: £0.3m) of dormant account monies from Alternative Scheme Participants in the 12-month period to 31 March 2023 which, under the terms of the agreement, amounted to £0.5m of dormant asset transfers in 2022/23 (2021/22: £0.1m).

Operating expenses of £4.6m have been incurred (2021/22: £3.9m) during the period for staff costs, Directors' fees and other operating costs incurred in the normal course of business. The RFL business model is built around a combination of in-house operations and outsourced suppliers.

Set up costs of £3.1m have been incurred in the year (2021/22: £0.6m) for Scheme expansion including fees for project management, business consultancy, legal support on the new TAA in place for the new scheme, and regulatory advice.

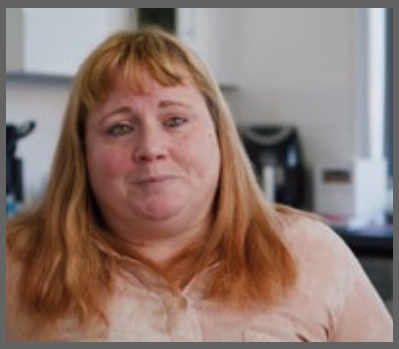
Investment securities have remained stable with a marginal increase from £435.4m as at 31 March 2022 to £446.7m at 31 March 2023 reflecting the Investment Manager's utilisation of cash prior to the end of the financial year. In the context of the investment portfolio held with our investment manager, the Board has confirmed that there is no direct exposure to Russia or Ukraine, following confirmation from our investment manager. Management continues to monitor the portfolio in light of the conflict. Additionally, management continues to assess our key suppliers and engages with them to understand their business resilience and financial stability.

RFL continues to set aside sufficient funds to meet reclaims it is prudent to anticipate in perpetuity. The best estimate reclaim provision continues to be refined using actuarial expertise and has resulted in a reclaim provision of £168.5m at 31 March 2023 (31 March 2022: £176.0m). The reduction is primarily driven by an increase in discount rates following changes to interest rates by the Bank of England to address increases in inflation. Further analysis and sensitivities can be seen in notes 1 and 12 on page 65 and 75 respectively.

A number of reclaims were paid to Main and Alternative Scheme Participants during the 12-month period to 31 March 2023, amounting to £15.4m (2021/2022: £15.4m).

Distributions paid to TNLCF for the 12-month period were £91.8m (15-month period to 31 March 2022: £144.3m). A further distribution of £90.4m was approved by the Board on 11 July 2023.

FAIR FOR YOU



KERRY WALSH
Beneficiary of Fair For You

"There's a golden thread from the Dormant Assets Scheme directly to those on very low incomes."

SIMON DUKES, CEO, FAIR FOR YOU
funded by Fair4All Finance

Watch our impact film here

SECTION 172 STATEMENT

DIRECTORS' DUTY TO RFL'S WIDER STAKEHOLDER BASE

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

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



DORMANT BANK AND BUILDING SOCIETY ACCOUNT HOLDERS[1]

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 protected and invested prudently to meet all future obligations.



SUPPORTING GOOD CAUSES

RFL's purpose is to unlock the potential of dormant assets to enhance communities and enrich lives, which is achieved by transferring surplus funds not required to cover future reclaims and regulatory capital to TNLCF, which then distributes funding to good causes. It does this in line with policy direction determined by the Secretary of State for DCMS and the devolved administrations respectively. RFL communicates the benefits of the Scheme through its regular newsletter to Participants, its website and social media. The Board agreed at the July 2023 meeting to release a further £90.4m to TNLCF to benefit good causes.



SCHEME PARTICIPANTS

RFL has regular communication with Scheme Participants, and provides proactive support for Scheme onboarding, transfers and reclaims. This includes, but is not limited to, regular meetings, the annual self-certification questionnaire, and introductions to other Participants to share experiences and best practices. The Company also participates in selected external events, such as the Building Societies Association Annual Conference, and will be reinstating its own annual event in an expanded form.



SHAREHOLDER

UK Government Investments ('UKGI') acts as the representative of RFL's sole shareholder, HM Treasury, as outlined in the Framework Document. HM Treasury views are considered through a UKGI appointed Non-Executive Director attending Board and Committee meetings and through close working relationships between representatives of UKGI and RFL.

1 Note that sectors included in Scheme expansion under the 2022 Act were not eligible to participate in the 2022/2023 financial year, hence restricting the above reference to dormant accounts held by banks and building societies.

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

EMPLOYEES

RFL has a small, highly professional permanent team, complemented by contract project staff, and outsources several activities to specialist 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. The Company adopts a flexible, hybrid working policy, whilst leveraging the office as a collaborative hub. RFL has been awarded a gold standard 'We Invest in Wellbeing' Award, has Investors in People Gold status and has been accredited as a Living Wage employer.

GOVERNMENT

Following extensive collaboration between Government, industry, regulators and RFL, the Dormant Assets Act 2022 was enacted. It expands the scope of the Dormant Assets Scheme to eligible assets in the insurance and pensions, investment and wealth management, and securities sectors. Expanding the Scheme to new assets and Participants has the potential to direct an estimated further £880m to vital social and community initiatives.

Scheme expansion is informed by the DAEB which brings together Industry Champions, Government, regulators, industry associations and RFL.

OUR REGULATOR

The Company is regulated by the FCA. RFL's Chief Executive and Chief Risk Officer maintain regular contact with RFL's FCA supervisor on regulatory and supervisory matters. The Board and management have put robust systems and controls in place, which are regularly checked that they are operating effectively to ensure that the Company continues to operate within its regulatory framework.

OUR SUPPLIERS

RFL's suppliers are appointed in accordance with internal policies, with documented relationship terms and service level agreements where appropriate. RFL undertakes regular reviews with key suppliers, with whom it meets twice yearly. Under the terms of RFL's relationship, suppliers are obliged to comply with the Modern Slavery Act, General Data Protection Regulation and other requirements to ensure the safe and compliant delivery of outsourced services. RFL holds a 'Fast Payer' award which recognizes companies that have demonstrated excellent payment practice to their suppliers.

ENVIRONMENT

RFL is committed to managing its use of resources and environmental impact. The Board and Executive continue to focus on the impact of RFL's core activities, notably the impact arising from its investment portfolio, its people and suppliers. The Company will continue to review climate change regulation and adapt its operations where necessary to ensure it aligns to its purpose, mission and values. The Board has defined its sustainability risk and risk appetite statement in RFL's Sustainability Framework. This is aligned to UK Government's Net Zero by 2050 target. More information can be found in the Sustainability Report on page 20.

SUSTAINABILITY REPORT

RFL has an exemption from the Government Greening Commitments reporting, as its operational footprint is below the required threshold of 50 employees and an office size under 500m². This report is therefore made on a voluntary basis.

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

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

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

SUSTAINABILITY FRAMEWORK

TCFD Methodology	Accountability	Responsible for	Sustainability Policy Statement
Governance	Board	Owning the Strategy	**Sustainability – ESG Strategy & Business model**
	AARC[1]	Oversight	Environment / Social / Governance
	Management	Implementation	
Strategy	Board	Actual and potential impacts on RFL	• Transitional • Physical / • Diversity • Inclusion • Development / • Transparency • Accountability • Independence • Ethical Behaviour
Risk Management	AARC[1]	Reporting on key risks	**Accept – Mitigate/Adapt – Avoid**
	Management	Management within risk appetite	• Investment Strategy • Working practices / • Governance • Investment Strategy • Working practices / • Governance • Investment Strategy • Working practices
Metrics & Targets	AARC[1]	Set Targets	**Targets** – Taking into account: UN Social Development Goals (SDG), Green House Gas Emissions, Government commitments Metrics – Set to manage within appetite Reporting – HMT, Annual Report and Accounts
	Management	Set KRIs	

1 AARC – Audit and Risk Committee

Key elements of RFL's Sustainability Policy

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

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

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

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

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

Sustainability Framework

The elements of the framework are set out below:

GOVERNANCE

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

STRATEGY

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

RISK MANAGEMENT

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

METRICS AND TARGETS

RFL's ESG targets which, following an assessment, have been split between RFL's investment portfolio and operational targets, have been set and re-approved by the Board of RFL following an annual review. A comparison of actual performance to these targets is tracked by management and Board and, in the first year since they were instigated, performance is ahead of target for the majority of metrics. The target range aims to meet the net zero commitment by 2050. The table below shows the position as at 31 March 2023. The metrics and targets for the investment portfolio are taken from MSCI, an ESG ratings tool that measures a company's resilience to long-term industry material ESG risks, using a rules-based methodology to identify industry leaders and those less advanced according to their exposure to ESG risks and how well they manage those risks relative to peers.

	RFL 2022 to 2050 Target Range	RFL Position at 31 March 2023	Status
Investment Portfolio			
Environmental – Greenhouse Gas ('GHG') Carbon intensity (MSCI 'T CO2e/$MM')[1]	40 reducing to 0	19.3	On track
Environmental – Overall MSCI[2]	6.4 (A) increasing to 10 (AAA)	7.2 (AA)	On track
Social – Overall MSCI rating	5.0 (BBB) increasing to 8.6 (AA)	5.4 (BBB)	On track
Governance – Overall MSCI rating	5.0 (BBB) increasing to 8.6 (AA)	6.4 (A)	On track
RFL Governance and Operations			
Environmental – GHG emissions	RFL has an immaterial GHG operational footprint	RFL has an immaterial GHG operational footprint	On track
Social – Modern Slavery	Key supply chain monitoring of adherence to supply code of conduct	As a result of RFL's active monitoring RFL is unaware of any modern slavery concerns within its current supply chain	On track
Governance – % women on Board	>=40%	40%	On track
Governance – Ethnic minority representation on the Board	1	1	On track

1 tCO_2e/$MM is defined as tonnes (t) of carbon dioxide (CO_2) equivalent (e) per $USD Millions of revenue.

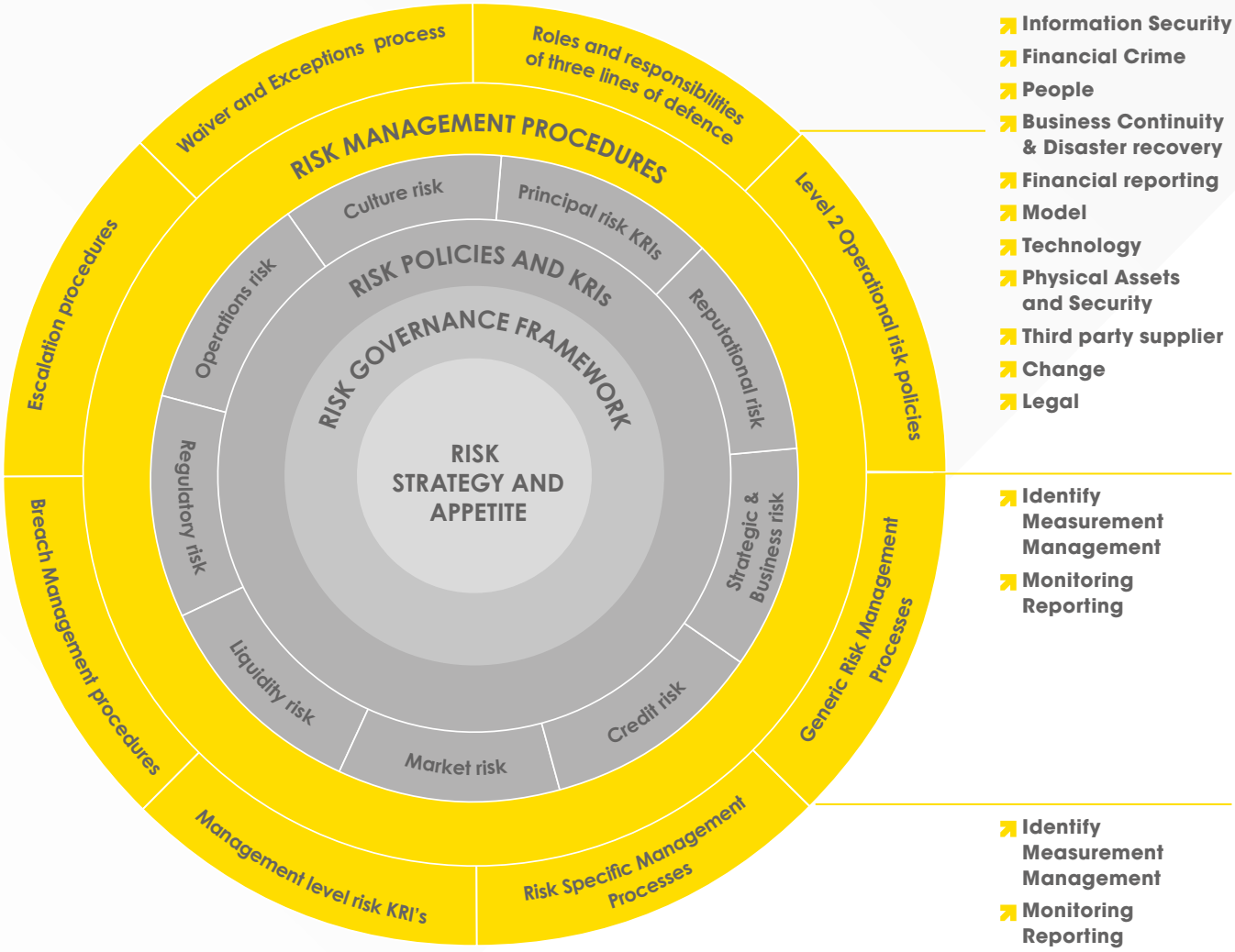
2 MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. They use a rules-based methodology to identify industry leaders and less advanced companies according to their exposure to ESG risks and how well they manage those risks relative to peers. Their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

RISK MANAGEMENT

Risk management is the process of identifying, evaluating, and controlling risks followed by coordinated and economical application of resources to minimise, monitor, and control the probability or impact of unfortunate events.

Our risk management framework

The Board is responsible for setting the Company's risk appetite and ensuring that appropriate risk management systems are in place. The Board reviews the Company's principal risks throughout the year as part of its rolling agenda, adopting an integrated approach to risk management and regularly assessing the principal risks. This facilitates a common, Companywide approach to the identification, analysis, and assessment of risks and the way in which they are managed, controlled and monitored. Throughout the year, RFL has managed its risks to ensure that it complies with The Act.



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 Assets Act 2022, the Board is responsible for strategy, risk and overall corporate governance, which includes ensuring that there are adequate systems of risk management and that the level of capital held is consistent with the risk profile of the business and meets the FCA Individual Capital Guidance ('ICG').

OUR RISK MANAGEMENT FRAMEWORK

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

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

HOW RFL MANAGE RISK

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

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

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

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

Key risks in 2022/2023

There are a number of specific risks which have impacted and are likely to continue to impact RFL's risk exposure, specifically risks arising from:

1. Macro-economic instability – which impacts RFL from both a strategic and operational perspective. The effect of fluctuating interest rates, inflation and high cost of living, geo-political uncertainty, contagion risk in the banking sector and supply chain disruptions is expected to pose challenges. With an increase in the cost of living affecting asset holders, this could lead to customers making a more concerted effort to find their dormant assets, which could lead to higher reclaim rates for RFL. Additionally, wider economic changes could result in investment performance volatility and increased operational costs.

    a. Strategic
        i. Presenting potential challenges to existing reserving policy;
        ii. Loss of focus from both internal and external stakeholders on strategic activities (e.g. Scheme expansion);
        iii. Pressure to distribute funds outside current risk appetite;
        iv. Complying with the requirements and expectations of multiple stakeholders.

    b. Operational
        i. Unavailability of senior personnel at a time of significant change;
        ii. Reduced operational capability.

2. The expansion of the Dormant Assets Scheme in line with the Act is resulting in a significant amount of change over a short period of time. Specifically, RFL is engaged in discussions with the regulator to determine an appropriate way to manage the potential increase in the risk of possible Participant insolvency.

PRINCIPAL RISKS

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

Principal risks	Detail	Trend	Mitigations
Reclaim Risk	Reclaim risk is the risk that the Company does not retain sufficient funds to meet future reclaims in perpetuity. RFL recognises the increased risk from the new asset classes where we expect greater inflows where reclaim experience on these types of assets is completely unknown compared with our experience with Banks and Building Societies. RFL's exposure is assessed as stable.		• The Company's policy is to maintain prudent reclaim provisions and capital for future reclaims to reflect the longevity of the risk of reclaim. • The level of reclaims is rigorously monitored on an ongoing basis. • The Company continues to use actuarial expertise to consider stress events that could lead to an increase in reclaim rates
Strategic and Business Risk	Strategic and business risk arises from changes to RFL's business, specifically the risk of not being able to carry out the operating plan and desired strategy. In a broader sense, strategic risk is RFL's exposure to a wide range of macro-economic, geo-political, banking, regulatory and other external risks, particularly relating to dormant assets. The overall risk level increases when a number of risks combine at a single point in time. RFL's exposure is assessed as increasing due to the combination of events that have a potential impact. These include the long-term consequences of the pandemic, the Ukraine/ Russia conflict, the implementation of the expanded Dormant Assets Scheme and the potential contagion risk in the banking sector.		• The Board and Executive continually consider the impact of current events on RFL's Strategic Objectives. • The Board has delegated responsibility for overseeing the investment mandate to an experienced investment committee. • Second line ensure compliance with the mandate. • RFL outsources its Investment Management to a respected fund manager.
Regulatory Risk	The Company operates in a regulated environment and is subject to significant legislative and regulatory requirements, having the unique classification of 'Dormant Account Fund Operator'. It is regulated by the FCA. RFL's exposure is assessed as increasing due to potential changes to its regulatory regime resulting from Dormant Assets Scheme expansion.		• Communication and collaboration with the regulator on any proposed internal or external material changes.
Operational Risk	Operational risk is defined within RFL 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. RFL's exposure is assessed as increasing due to the potential increased operational complexity driven from the expanded Dormant Assets Scheme.		• Twice yearly Risk and Control Self Assessment completed and approved by AARC. • Regular review of preventative and detective controls. • Second line review of RFL operations and any proposed changes. • Close collaboration between first and second line in all initiatives. • Use of external specialists to address specific risks and provide third line internal audit reviews.

Key – Risk exposure

- Increasing
- Decreasing
- Stable

Principal risks	Detail	Trend	Mitigations
Change Risk	Change risk is defined as the ability of a small core RFL team to deliver and absorb the level of change created by strategic initiatives, most notably Scheme expansion. RFL's exposure is assessed as increasing due to the significant amount of change RFL is undergoing.	↑	• Use of senior interim change specialists. • Redesign of target operating model. • New permanent roles defined and being recruited for, taking into account RFL's operations for the Expanded Dormant Assets Scheme.
Liquidity and Funding Risk	Liquidity and funding risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.	↔	• The Company's policy is to ensure it has sufficient funds to fulfil liabilities as they fall due. • RFL invests in highly liquid financial instruments. • Liquidity and funding risk is mitigated through effective cash management and cashflow matching to best estimate liabilities. • The Company operates within a Board approved investment mandate, which ensures that, at all times, a substantial proportion of the Company's assets are held in a highly liquid form.
Credit Risk	Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from cash deposits, and from the Company's investments. RFL's exposure is assessed as stable although there remains a risk in the event of an economic downturn and the potential to expand the availability of investment opportunities.	↔	• Investment decisions are made in line with a strict investment mandate in order to manage the Company's exposure to credit risk. • Investments are comprised primarily of fixed income investments, with initial purchases being restricted to investments with credit ratings graded no lower than BBB+. • Any downgrading of investments is considered by our investment manager and by the Executive Team to determine whether it remains appropriate to hold.
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 fluctuate as a result of such changes. Reinvestment risk refers to the possibility that an investor will be unable to reinvest cash flows received from an investment at a rate comparable to their current rate of return. RFL's exposure is assessed as stable.	↔	• The Company has limited exposure to market risk, as its fixed income investments are held until they mature. • The Company actively reviews its investment mandate, working closely with the outsourced investment manager to minimise its reinvestment risk.

The Strategic report on pages 4 to 25 is approved by the Directors.

ADRIAN SMITH OBE
Chief Executive
11 July 2023

GOVERNANCE

CONTENTS

Introducing our Board	27
The Board	28
Corporate Governance report	30
Remuneration and staff report	40
Directors' report	46
Statement of Directors' and Accounting Officer's responsibilities	47
Parliamentary Accountability and Audit report	48
Independent auditor's report	49

FUNDING IN NORTHERN IRELAND

In the latest round of grants awarded from Dormant Accounts Fund NI, 25 organisations from the voluntary, community and social enterprise (VCSE) sector have received their share of £2,006,649, to help secure their long-term future.

One of the groups awarded is Girlguiding Ulster who are using a £77,700 grant to restructure and develop succession plans for volunteering to help futureproof the organisation.



"This grant from Dormant Accounts Fund NI will make such a difference to our Units across Northern Ireland, helping us continue to give the best support and opportunities to over 7,500 girls and young women.

Over the next two years, this money will help us work with our volunteers to evaluate and grow the roles, train and develop young leaders who can move into management roles and implement restructuring and succession plans for the 515 Rainbow, Brownie and Girlguiding Units throughout Northern Ireland.

Overall, this grant will help us give more girls and young women the space and opportunities they need to thrive and give back to their communities, through learning new skills, growing in confidence and making lifelong friendships.

Thank you."

CLAIRE FLOWERS
Chief Executive of Girlguiding Ulster

INTRODUCING OUR BOARD

CHAIR'S INTRODUCTION TO GOVERNANCE



The past year has been significant for the RFL Board, with both new and departing Board members, and with the challenges and opportunities that Scheme expansion offers.

As I come to the end of my term as Chair of the Board, I reflect on the enormous progress we have made over more than a decade, building a robust governance, risk and operational structure that enables RFL to meet its obligations to dormant asset owners and harness the power of dormant assets to change lives and transform communities across the UK. Our new Chair Designate, Lawrence Weiss, who will take over as Chair during summer 2023, arrives at one of the most exciting times in the history of RFL as Scheme expansion continues, supported by an excellent Board. I wish Lawrence every success in the role, and I know he will be fully supported by the Board and Executive.

Our Committees and Committee Chairs

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

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

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

The Nomination Committee supports the process for Board appointments, ensuring a rigorous search and selection process based on its evaluation of the balance of skills, knowledge and experience required on the Board. Treasury Ministers appoint the Chair of the Board subject to reasonable prior consultation with the Company's Nomination Committee and Board.

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

Governance framework Board of Directors

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

Investment Committee
The Investment Committee is chaired by Donal Quaid.

Nomination Committee
The Nomination Committee is chaired by Jane Hanson.

Remuneration Committee
The Remuneration Committee is chaired by Jenny Watson.

Find out more pages 34 – 36.

BOARD COMPOSITION



THE BOARD

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



Jane Hanson

CBE, JP, BA (Hons), FCA

Chair

Appointed: 7 Oct 2011

Experience: Jane served as Chair of the Audit and Risk Committee prior to being appointed as Board Chair in 2014. Jane's current roles include Non-Executive Board Member of HM Treasury, Chair of Audit Committee and Non-Executive Director of Welsh Water plc and Audit Committee Chair at the Civil Aviation Authority. Jane has also served as a Non-Executive Director and Chair of the Board Risk Committee at Direct Line Insurance Group plc, Old Mutual plc and William Hill plc. She is also the Honorary Treasurer at the Disasters Emergency Committee. Her previous executive roles include Risk and Governance Director at Aviva plc. Jane is also a Magistrate and a Fellow of the Institute of Chartered Accountants. She was awarded a CBE in 2022 for services to charity.

Committees: N R



Adrian Smith

OBE, MBA

Chief Executive

Appointed: 16 Nov 2010

Experience: Adrian was responsible for leading the project to establish Reclaim Fund Ltd during 2009/10 and was subsequently appointed as Chief Executive. 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. Awarded an OBE for services to the Financial Sector in 2022, Adrian is a member of the Dormant Assets Expansion Board. Adrian is also a Trustee of the Plunkett Foundation.



Judith Buttigieg

MA (Oxon), FCA

Non-Executive Director

Appointed: 13 Feb 2023

Experience: Judith is a Fellow of the Institute of Chartered Accountants and is CEO of Aviva International Insurance Ltd, Aviva plc Group's internal reinsurer, and a member of its Board of Directors. Judith has over 30 years' experience in financial services and has held a number of senior executive positions within the Aviva plc Group. She has also served as Non-Executive Trustee Director and Chair of the Audit, Operations & Governance Committee for the RAC Pension Scheme. Judith will be taking over as Chair of the Audit & Risk Committee during 2023.

Committees: A I



Katherine Garner

BSc (Hons), FIA

Non-Executive Director

Appointed: 19 Dec 2018

Experience: Katherine is Chief Executive Officer and a member of the Board of Sun Life Financial of Canada in the UK, part of the Phoenix Group since April 2023. Katherine joined Sun Life Financial of Canada in 2008, was appointed Chief Financial Officer in 2009, before taking on her current role in 2013. Prior to this, Katherine was employed by HSBC in various roles including, Head of Operations, Head of Life Insurance and Finance Director of the Dublin based life company and Deputy Head of Investments in the UK. Katherine is a Fellow of the Institute and Faculty of Actuaries.

Committees: A I



Donal Quaid

CFA, MBA, MSc

Non-Executive Director

Appointed: 30 Aug 2022

Experience: Donal has been Group Treasurer of NatWest Group since December 2019. Previous roles include Head of Derivatives & FX and Head of Treasury Markets, with over 20 years' experience working in capital markets across various Treasury, trading and risk management leadership roles. Donal is also a member of the Bank of England SONIA Stakeholder Advisory Council of the Fixed Income. Currencies and Commodities Standards Board (FMSB).

Committees: I

COMMITTEE MEMBERSHIP KEY

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

For more information please see
www.reclaimfund.co.uk/about-us/the-board/



Saleh Saeed

OBE

Non-Executive Director

Appointed: 14 Dec 2022

Experience: Saleh has been CEO at the Disasters Emergency Committee (DEC) since 2012 and oversees 15 leading UK aid agencies in times of major humanitarian crises overseas. Saleh has previously held senior positions in the NGO sector including Chief Executive of Islamic Relief Worldwide and he has also led several programmes for local public sector partnerships in the UK, including an innovative programme to promote access to new learning and social activities using digital technologies. Saleh is also Chair of the Emergencies Appeals Alliance.



Glyn Smith

MA (Cantab), FCA

Senior Independent Director

Appointed: 4 Feb 2015

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

Committees: A N R



Holger Vieten

BSc (HONS), MSc, PHD

Non-Executive Director

Appointed: 21 Apr 2022

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

Committees: A I N R



Jenny Watson

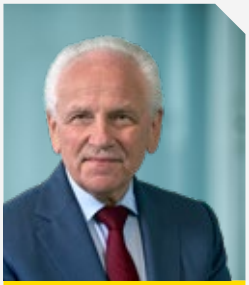
CBE, BA, MA

Non-Executive Director

Appointed: 3 Jan 2019

Experience: Jenny joined the Board in 2019. She is Chair of the House of St. Barnabas, a social purpose business in London's Soho, and of GAMSTOP. She is also trustee of the Norfolk Community Foundation. Jenny started her early career in the not for profit sector and has sat on the Boards of a number of public bodies, serving as a past Chair of both the Electoral Commission and Equal Opportunities Commission.

Committees: A N R



Lawrence M. Weiss

BA (HONS), MIA

Chair Designate

Appointed: 11 July 2023

Experience: Lawrence was on the Board of UK Export Finance, the UK's credit export agency, including as Chair of the Audit Committee. He was CEO of Bank Leumi (UK) plc and spent 19 years at Glencore UK, latterly as Chief Global Credit Risk Officer for the company's Energy Group, following 14 years at TMR Energy Ltd, including five years as CEO. Lawrence's early career was spent at The Chase Manhattan Bank. He has also served on the Audit & Risk Committee at the Department for International Trade.

CORPORATE GOVERNANCE REPORT

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

Governance structure

RFL's governance structure is set out in the Framework Document, which has been agreed between HM Treasury and RFL.

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

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

PURPOSE

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

COMMON OBJECTIVES

HM Treasury and RFL share the common objective of delivering the operational activities related to the receipt and management of Dormant Assets, in line with the policy aims of His Majesty's Government, as permitted by legislation and the Articles. To achieve this, RFL and HM Treasury work together and with UKGI and DCMS (recognising each other's roles and areas of expertise), to provide an effective environment for RFL to achieve these objectives through the promotion of partnership and trust.

THE ROLE OF THE SHAREHOLDER

Ministerial Responsibility

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

BOARD APPOINTMENTS

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

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

DELEGATED AUTHORITIES

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

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

OTHER SHAREHOLDER RESERVED MATTERS:

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

- the Operating Plan (following development and updating by the Board, the Shareholder will review and approve this annually);
- any changes to the approved capital structure and to the financial framework, including to the remuneration policy;
- the appointment of any external auditor; and
- acquisitions, disposals and joint ventures of a value greater than 15% of the Company's net assets at the relevant time.

Roles and responsibilities of the Board

The Board and its Committees continue to ensure an appropriate balance of relevant skills, sector knowledge, experience, independence and gender diversity to enable the Directors to exercise their duties and responsibilities effectively. The Board currently includes four female Directors, including the Chair, and one Director from an ethnic minority background, and remains committed to furthering its skills and diversity, with diversity and inclusivity training scheduled for the Board in the course of 2023. The Board recognises and welcomes the views of all members, and Directors and management are encouraged to contribute their views in an open manner.

The Directors are committed to leading and controlling the Company effectively, using a framework of controls and policies, setting strategy and maintaining a rigorous decision-making process, and ensuring that the necessary financial and human resources are in place to meet strategic aims, monitoring performance against key financial and non-financial indicators, overseeing the system of risk management and setting values and standards in governance matters.

The Board is accountable for the careful direction of the Company's affairs, in particular the safe stewardship of funds held to meet future reclaims by Dormant Account holders and the optimisation of payments to The National Lottery Community Fund for good causes. This has been an area of key focus in the last financial year, as the Board prepares for the expansion of the Dormant Assets Scheme to include other financial assets.

CORPORATE GOVERNANCE REPORT CONTINUED

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 6 times during the 12-month period to 31 March 2023.

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

The Chair is responsible for leading the Board, its effective functioning and promoting the highest standards of corporate governance. She encourages all Directors to actively contribute to Board meetings and promotes constructive relations between the Executive and Non-Executive Directors. The Chair represents RFL and works with the Chief Executive to develop collaborative relationships with the Non-Executive Directors, HM Treasury, DCMS and other stakeholders. The Chair annually reviews the performance of the Chief Executive and Non-Executive Directors.

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

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

Three new Non-Executive Directors have been appointed in this financial year: Judith Buttigieg, Donal Quaid and Saleh Saeed, following a rigorous recruitment process led by the Nomination Committee, and following an assessment of the Board's skills, experience and knowledge.

The aggregate emoluments of the Directors of Reclaim Fund Ltd for the year were £465k (15-month period to 31 March 2022: £555k).

The Code requirement to explain the actions the Board intends to take to consult with shareholders if there were a 20% vote against a Board recommendation for a resolution does not apply to RFL in the 2022/2023 financial year, as there have been no instances where the Shareholder has voted against a resolution proposed by the Board.

Board meetings

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

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

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

Regular Board business

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

Specific areas of focus

In addition to covering the regular business discussed above, Board meeting agendas are developed in line with the Company's strategic priorities, regulatory trends and other external factors. A rolling agenda of items for Board consideration and approval is maintained and regularly updated. During 2022/2023 the Board discussed inter alia, the distribution policy, reserving for new asset classes and risk management and governance matters.

Given the large number of additional meetings held last year following the change of ownership, and the consequent governance, regulatory and fiduciary changes accompanying the move to becoming a public body, it was felt that fewer meetings were necessary this year. However, the Board remained fully engaged with the conditions within the Framework Document, which was signed at the time of change of ownership. With the introduction of the Expanded Scheme under the Dormant Assets Act 2022, the key focus for the Board this year continued to be the Company's readiness for scheme expansion, with a continued emphasis on communication and engagement with potential Participants and industry bodies. The Board reviewed changes to the TAA as was required to support scheme expansion. In early April 2023, the Board was delighted to appoint Helen Boyd as Interim Chief Operating Officer, part of whose remit is to assist with this engagement as the Company embarks on the expanded scheme.

The Board also focused on the implementation of a new technology solution to enhance RFL's processes and controls, and improve Participants' experience of working with RFL.

The Board also kept under regular review and discussion its investment opportunities and portfolio, the Company's reclaim risk model, risk management and governance matters, policies and procedures, appropriate performance measures and corporate governance. The Board also continues to keep under review its own structure, skills and areas of expertise, particularly during the period of Non-Executive Director recruitment this year. As the Board is committed to environmental concerns as part of its ESG considerations, it also continues to monitor any climate-related disclosures it may consider appropriate or desirable to make, although it is currently excluded from any obligations to do so either under the Code or FCA requirements. The Board has committed to moving towards net zero by 2050 as detailed within the Sustainability report.

Board committees

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

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

CORPORATE GOVERNANCE REPORT CONTINUED

AUDIT AND RISK COMMITTEE

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 Assets Act 2022, 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 to 31 March 2023, the AARC comprised:

- **Glyn Smith (Chair)**
- **Judith Buttigieg** (from 13 February 2023)
- **Katherine Garner**
- **Jonathan Gorrie** (until 6 July 2022)
- **Holger Vieten** (from 21 April 2022)
- **Jenny Watson**

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

The AARC met five times during the year to 31 March 2023. 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. In addition, internal auditors were asked to audit the capital adequacy review being carried out internally. As in previous years, the AARC reviewed the Annual Report and Accounts in detail, together with the external auditor's report thereon that included confirmation of the external auditor's independence. The AARC paid particular attention to process and control issues and considered key areas of accounting judgement, with particular emphasis on the measurement and key assumptions including the underlying methodology for calculating the best estimate in the provision for reclaims of Dormant Account balances. The AARC also considered RFL's approach to managing its investments and the measurement and accounting for expected credit losses as required under IFRS 9 and the disclosures thereon. The Committee also considered financial reporting for new asset classes, following the implementation of the Dormant Assets Act 2022. The reporting requirements resulting from the adoption of the Corporate Governance Code and the associated Government reporting requirements continued to be taken into consideration. The Committee reviewed management's Going Concern and Viability Statement assessment and monitored the continuing impact of the global economic environment and the potential impact on reclaim rates.

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

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

The Committee also reviewed the annual conclusion on the Governance, Risk and Control Framework report from internal audit that included consideration of financial, operational and compliance controls and supported the view that RFL has operated with an appropriate risk, governance and control framework throughout the period. The Chief Risk Officer completed an internal review of compliance and governance in the course of the year, taking into account the parameters and requirements of the Framework Agreement as well as requirements of the Code and relevant legislation.

In addition to the regular reports referred to above, the AARC considered current and projected risk and capital positions and reports on key risk areas both from management and external experts. It also conducted an annual review of Participant agency agreements. The Committee regularly reviewed governance project reports for completing the transition to becoming an Arm's Length Body and also received reports on RFL's whistleblowing arrangements. The Committee satisfied itself that the whistleblowing arrangements in place were proportionate to the size of the business RFL operates and noted that there had been no whistleblowing incidents. The Committee met twice with each of the internal and external auditors, without the presence of management.

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

INVESTMENT COMMITTEE

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

During the year to 31 March 2023, the Committee comprised:

- **Donal Quaid (Chair)** (from 30 August 2022)
- **Judith Buttigieg** (from 24 March 2023)
- **Katherine Garner**
- **James Hardie (Chair)** (until 2 July 2022)
- **Adrian Smith** (until 24 March 2023)
- **Holger Vieten** (from 23 February 2023)

The Committee met five times during the year to 31 March 2023. Despite the global economic environment that is seeing higher inflation, the Company's investments continued to remain relatively stable. Regular investment management and monitoring were provided by Goldman Sachs Asset Management in the year. As such it was not felt necessary or appropriate to meet more frequently during this period.

During the year, the Investment Committee continued to monitor the amount of cash being invested and reviewed its investment mandates. The Investment Committee regularly reviewed reports from management on the internal processes and controls for the investment portfolio. The Company's investment portfolio continued to score highly in terms of sustainable investments.

NOMINATION COMMITTEE

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

During the year to 31 March 2023, the Committee comprised:

- **Jane Hanson (Chair)**
- **Glyn Smith**
- **Jonathan Gorrie** (until 6 July 2022)
- **Holger Vieten** (from 21 April 2022)
- **Jenny Watson**

The Committee met six times during the year to 31 March 2023, the frequency of meetings reflecting the need to ensure that the terms of the Framework Document are complied with as regards the Non-Executive Directors' recruitment process in particular, and to consider the various longlists and shortlists prepared by external executive search agencies for the new Board members. In the course of the year, the Committee focused on Non-Executive Director recruitment, including a panel meeting for interviews and three new Non-Executive Directors were appointed. Under the Framework Document, new Non-Executive Director appointments are subject to approval by the Shareholder, on the recommendation of the Nomination Committee. Following such approval, the appointment can be formally made by the Board. Director appointments and re-appointments are overseen by the Nomination Committee, which meets to consider the engagement of appropriate external search firms (where applicable) and reviews longlists of candidates (with close involvement of the Shareholder, through its representative on the Committee), before a panel interview of final candidates. Proposals are then made to the Board for formal appointment. All Non-Executive Director appointments are subject to final approval by the Economic Secretary to The Treasury.

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

In the summer of 2022, James Hardie stepped down as a Non-Executive Director and Chair of the Investment Committee. The process set out in the Framework Document was carefully followed, and following the rigorous selection process, Donal Quaid was appointed as his replacement, as Non-Executive Director and Chair of the Investment Committee. Saleh Saeed and Judith Buttigieg were also appointed during the year, following a similarly rigorous selection.

The Committee is very conscious of the benefits of having diverse representation at Board level. Female Directors account for half of the Nomination Committee, and refresher Board training in diversity and inclusivity is scheduled for later in 2023, as the Board is aware of the need for even greater diversity of representation and the benefits of seeking a variety of different opinions and viewpoints. The Committee also regularly considers succession planning, with input from the Chief Risk Officer.

As part of the recruitment process, the Committee actively considers the benefits of a diverse and inclusive Board, and this was at the forefront of the recruitment process for new Board members during 2022 and 2023. In addition, during the Director appointment process, candidates are made aware of the likely time commitment expected of Directors and are asked to discuss existing work commitments to ensure that sufficient time can be dedicated to fully engaging with their duties as Directors of RFL. This is kept under review in the course of a Director's tenure.

CORPORATE GOVERNANCE REPORT CONTINUED

REMUNERATION COMMITTEE

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

During the year to 31 March 2023, the Committee comprised:
Jenny Watson (Chair)
Jonathan Gorrie (until 6 July 2022)
Jane Hanson
Glyn Smith
Holger Vieten (from 21 April 2022)

The Committee met four times during the year to 31 March 2023.

During the year, the Remuneration Committee reviewed the 2022/23 annual pay and variable remuneration awards for the Chief Executive, senior management and employees, and continued its work on reviewing the framework for the employee bonus scheme. It also reviewed the Remuneration Policy and the Directors' Expenses Policy. RFL operates a remuneration policy that is annually reviewed and approved by the Board upon the recommendation of the Remuneration Committee. The policy incorporates a Remuneration Framework that aims to support the attraction, recruitment, retention, and motivation of a commercial executive team, but which does not lead to excessive pay. Pay for staff is discussed and debated in the Remuneration Committee, with any recommendations submitted to the Board for approval.

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

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

Benchmarking is conducted on a periodic basis and in more depth where there is an imperative to better understand the market, skills and pay ranges. An external benchmarking exercise was commenced in the latter part of the year.

Further details of the Remuneration Committee and its work are set out in the Remuneration and Staff Report on page 40.

ATTENDANCE

The following table sets out the number of Board and Board Committee meetings each Director was eligible to attend (number in brackets) along with the actual meetings attended during the 12 months to 31 March 2023.

	Board	Audit and Risk Committee	Investment Committee	Nomination Committee	Remuneration Committee
Judith Buttigieg[1] (Appointed 13 February 2023)	**1(1)**	**1(1)**	**–**	**–**	**–**
Katherine Garner	**6(6)**	**5(5)**	**5(5)**	**–**	**–**
Jonathan Gorrie[2] (Resigned on 6 July 2022)	**1(3)**	**1(3)**	**–**	**1(2)**	**1(2)**
Jane Hanson	**6(6)**	**–**	**–**	**5(5)**	**4(4)**
James Hardie[3] (Resigned on 2 July 2022)	**2(2)**	**–**	**2(2)**	**–**	**–**
Donal Quaid (Appointed on 30 August 2022)	**2(3)**	**–**	**3(3)**	**–**	**–**
Saleh Saeed (Appointed on 14 December 2022)	**1(1)**	**–**	**–**	**–**	**–**
Adrian Smith	**6(6)**	**–**	**5(5)**	**–**	**–**
Glyn Smith	**6(6)**	**5(5)**	**–**	**5(5)**	**4(4)**
Holger Vieten[2] (Appointed on 21 April 2022)	**6(6)**	**5(5)**	**–**	**5(5)**	**3(3)**
Jenny Watson	**6(6)**	**5(5)**	**–**	**5(5)**	**4(4)**

1 Judith Buttigieg will be taking over as Chair of the Audit & Risk Committee during 2023.

2 Holger Vieten replaced Jonathan Gorrie as the Shareholder nominated Non-Executive Director, with Tim Martin acting as an alternate nominated Director in place should Holger be unable to attend. Only one of these Directors is required to be present for the meetings to be quorate. At no point during the 12 months was the Alternate Director required.

3 Donal Quaid replaced James Hardie as Chair of the Investment Committee in the course of the year.

Lawrence Weiss is excluded from the table as his appointment date was after the final meetings of the year.

Adrian Smith, Glyn Smith and Holger Vieten additionally attended a Committee meeting of the Board to approve the final draft of the 2021/2022 Annual Report & Accounts.

CORPORATE GOVERNANCE REPORT CONTINUED

Provision of advice to directors

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

Training and professional development

The Chair and the Board actively encourage the ongoing professional development of the Directors. Training sessions were held on cyber security and the development of expanded Dormant Assets. Training sessions on diversity and inclusion, ESG, and continued sessions on Scheme expansion are planned for 2023 and 2024.

The Secretary to the Board

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

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

Board and Board committee evaluation

The Board undertakes a review of its effectiveness and that of its Committees every three years.

The Board Effectiveness Review ("BER") carried out by Vistra Corporate Law (Vistra) at the end of the previous financial year was presented to the Board in 2022 and its findings were discussed. The BER was based on the Code's five Principles emphasising the value of good corporate governance to long-term sustainable success and the Directors fully participated in the completion of a questionnaire, which was designed around the Code's Principles, and both scores and comments were carefully reviewed. Both the questionnaire and the completed BER were followed up with informal one-to-one conversations between the Chair and individual Directors and management.

The role of Company Secretary enabled Vistra to incorporate in the BER its representative's own observations from regular attendance at Board and Committee meetings throughout the financial year, to which was added observations and feedback received by the Chair during the informal discussions supplementing the questionnaire. The BER was very positive and indicated that the Board and the Committees were well run and acted effectively, in a spirit of respect, co-operation and professionalism. Participants felt encouraged to contribute and to challenge where appropriate. A few minor issues, such as duplication of papers circulated to Committees and the Board, have since been addressed.

Ownership

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

Shareholder engagement

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

External audit

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

RFL has a non-audit work policy that establishes the principles by which it is able to appoint the external and internal auditors for non-audit services. The policy also establishes a framework governing the process by which non-audit services are approved. The AARC reviews this policy on a triennial basis. No non-audit services were provided by the external auditors during 2022/23.

Internal audit

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

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

The AARC carries out a formal review of the effectiveness of the outsourced internal audit function every two years. The last formal review of the internal audit function was held in January 2022 and the next review will be conducted in early 2024.

Internal audit also acts as a source of constructive advice and best practice, assisting senior management with its responsibility to improve the processes by which business risks are identified and managed. Internal audit representatives are always invited to attend Audit & Risk Committee meetings. They attended four out of five in the course of the financial year, also holding private session meetings with the AARC in the absence of Management.

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

No non-audit services were provided by the internal auditors during 2022/23.

The leadership team

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

Internal controls and risk management framework

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

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

The risk management framework includes an ongoing process for identifying, evaluating and managing significant risks (including emerging risk) and has been in place for the whole period under review and up to the date of the approval of the Annual Report and Accounts. The Board considered and agreed with the assessment by the AARC that financial, operational and compliance controls had operated with an appropriate risk, governance and control framework throughout the period. Further detail is provided in the Risk Management section of the Strategic review on pages 22 to 25.

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

Viability statement

The Directors' confirmation that they have adopted the going concern basis in preparing the Annual Report and Accounts is set out on page 46.

In addition to performing a review of the going concern status of the Company, the Directors have also, in accordance with the Corporate Governance Code, assessed its prospects over the period to 31 March 2026. A period of three future years has been selected to be short enough to be reasonably assessable but long enough to reflect RFL's risk profile. Three years also reflects the time period over which RFL produces its Annual Operating Plan which is supported by three-year forecasts from Scheme Participants.

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

Liquidity and capital management forecasting are a key part of the risk management framework of RFL and incorporate stress and scenario tests designed to produce a comprehensive assessment of current and projected liquidity and capital positions. The process assists RFL in evaluating, over the period to 31 March 2026, the key known risks to which it is exposed and the levels of capital and other financial resources that should be maintained to safeguard the liquidity and capital positions of the business at all times, including during a stress scenario. Realistic scenarios are developed with actuarial support whereby plausible economic, regulatory, and technological developments are modelled to reflect a substantial fall in transfers into the Scheme and an increase in reclaim rates. As part of the stress testing, the scenarios take into consideration amounts already committed for distribution by RFL, and the additional costs of administering such large reclaims. A reverse stress test exercise was also performed. This test involved an assessment of the extent to which reclaim rates would need to increase before the Company would be unable to meet liabilities as they fall due. The Directors concluded that the likelihood of such a scenario occurring was extremely remote.

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

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

Based on the results of the liquidity and capital management forecasting, and the assessment of the Company's legal position, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2026.

On behalf of the Board of Directors

JANE HANSON CBE
Chair
11 July 2023

REMUNERATION AND STAFF REPORT

In accordance with the Framework Document, RFL is required to produce a Remuneration and staff report.

The report has been prepared under the Government financial reporting manual (known as the FReM).

RFL employs a small team of fourteen staff who carry out work to support the day-to-day operations of the business, fulfilling first and second line responsibilities. Given the limited number of staff employed, it is not appropriate to detail the organisational structure of the business, as many roles span across a number of responsibilities, thereby reducing any key person dependency. During the 12-month period to 31 March 2023, RFL has also sourced external resource to support the journey to on-boarding new asset classes following the introduction of the new Act, which has temporarily grown the number of staff working in the business. The disclosures in this report align to the requirements of being an Arm's Length Body whilst being proportionate to the size of RFL.

REMUNERATION POLICY

The remuneration of RFL's team is key to ensuring that the Company attracts, motivates, and retains appropriate skills and talent.

RFL's goal is to confirm that its reward package is competitive in the business environment where it is competing for such skills and talent, while remaining in accordance with its commitments as a publicly owned body and adhering to the principles of Managing Public Money.

RFL's policy is structured to achieve the following outcomes:

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

The Remuneration Policy is formally approved by the Shareholder.

DIRECTORS' EMOLUMENTS (AUDITED)

Details of the aggregate Directors' emoluments for the 12-month period ended 31 March 2023 and 15-month period ended 31 March 2022 are shown below. The aggregate emoluments of the Directors of Reclaim Fund Ltd for the year were £465k (15-month period to 31 March 2022: £555k). The fees for Non-Executive Directors include only those for whom the Company incurs the direct cost. The level of remuneration paid by the Company to the non-governmental Non-Executive Directors reflects the time commitment and responsibilities of the role. The Shareholder appointed Non-Executive Directors do not receive any fees.

12-month period ended 31 March 2023	Salary/Fees[6] (£'000)	Performance related pay[1] (£'000)	Pension contributions[3] (£'000)	Benefits in Kind[4,5] (£)	Total for the 12 months (£'000)	FYE[7] (£'000)
Executive Director						
Adrian Smith[2]	190-195	60-65	19	9,000	280-285	
Non-Executive Directors' Fees						
Jane Hanson (Chair)	45-50	–	–	900	45-50	
Glyn Smith (SID)	35-40	–	–	1,500	35-40	
Judith Buttigieg (from 13 February 2023)	0-5	–	–	400	0-5	(30-35)
Katherine Garner	25-30	–	–	1,700	30-35	
James Hardie (to 2 July 2022)	5-10	–	–	–	5-10	(30-35)
Donal Quaid (from 30 August 2022)	15-20	–	–	–	15-20	(30-35)
Saleh Saeed (from 14 December 2022)	5-10	–	–	500	5-10	(25-30)
Jenny Watson	30-35	–	–	–	30-35	

15-month period ended 31 March 2022	Salary/Fees[6] (£'000)	Performance related pay[1] (£'000)	Pension contributions[3] (£'000)	Benefits in Kind[4,5] (£)	Total for the 15 months (£'000)	FYE (£'000)
Executive Director						
Adrian Smith[2]	230-235	65-70	23	11,300	335-340	(265-270)
Non-Executive Directors' Fees						
Jane Hanson (Chair)	55-60	–	–	–	55-60	(45-50)
Glyn Smith (SID)	45-50	–	–	–	45-50	(35-40)
Katherine Garner	35-40	–	–	–	35-40	(25-30)
James Hardie	40-45	–	–	–	40-45	(30-35)
Jenny Watson	40-45	–	–	–	40-45	(30-35)

1 Performance related pay is based on financial and non-financial performance targets and aligns with the period disclosed – see more detail below.
2 This represents emoluments of the highest paid Director of £282k (2022: annual equivalent of £269k).
3 During the year one Director (2022: one) was a member of a money purchase pension scheme.
4 Benefits in Kind are in respect of car allowances for the Executive Director.
5 Non-Executive Directors' Benefits in Kind relate to travel, accommodation and subsistence on which Pay As You Earn and National Insurance Contributions are due.
6 Salary includes gross salary. All other forms of remuneration are separately disclosed in the table above.
7 FYE only shown for Directors who served for a part of the year.

REMUNERATION AND STAFF REPORT CONTINUED

SENIOR PAY

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

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

PERFORMANCE-RELATED PAY

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

Bonus payments are based on performance levels achieved in the 12-month period to 31 March 2023 and in the 15-month period to 31 March 2022 respectively.

FAIR PAY DISCLOSURES (AUDITED)

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

The banded remuneration of the highest paid Director employed by RFL in the 12-month period 2022-23 was £280-285k (full year equivalent 2021-22: £265-270k). This was 5.2 times (2021-22: 6.5 times) the median remuneration of the workforce, which was £45-50k (full year equivalent 2021-22: £35-40k).

In 2022-23, no employees received remuneration in excess of the highest paid Director (2021-22: none). Staff remuneration ranged from £25-30k to £280-285k[1] (full year equivalent 2021-22: £20-25k to £265-270k).

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

	12 months[2] to 31 March 2023		15 months[2] to 31 March 2022	
	Salary component	**Total remuneration[1]**	Salary component	Total remuneration
Band of Highest Paid Director's total remuneration (£000	**190-195**	**260-265**	230-235	310-315
Median remuneration (£'000)	**45-50**	**50-55**	40-45	45-50
Ratio		**5.2**		6.5
25th percentile remuneration (£'000)	**30-35**	**30-35**	30-35	35-40
Ratio		**8.6**		8.4
75th percentile remuneration (£'000)	**55-60**	**60-65**	50-55	55-60
Ratio		**4.0**		5.5

1 The amounts included for the current financial year represent a 12-month period with the comparative numbers representing a 15-month period.

2 The table above excludes employer pension contributions and thus does not correlate with the narrative on median pay remuneration disclosures.

The reduction in the majority of ratios reflects staff promotions and associated pay increases; it also reflects the remuneration received by the new members of staff to have joined RFL in the past year.

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

STAFF NUMBERS AND RELATED COSTS (AUDITED)

The average number of full-time equivalent persons employed during the 12-month period to 31 March 2023 was fourteen (FY 2021-22: eleven). Permanent and FTE staff costs exclude Non-Executive Directors and contractors.

	12-month period 31/03/2023 £'000	15-month period 31/03/2022 £'000
Staff costs comprise:		
Wages and salaries	1,100	860
Social security costs	134	133
Other pension costs	81	86
Total staff costs representing staff with a permanent (UK) employment contract with RFL	**1,315**	**1,079**
Full time equivalent persons employed representing staff with a permanent (UK) employment contract with RFL: average for the year	14	11

Consultants:
Total expenditure made to external consultants during the 12 months to 31 March 2023 amounted to £726k (15 months to 31 March 2022: £657k). The increase reflects the requirement to use external support and expertise to support the expansion of the Scheme.

Percentage change in total salary and bonuses for the highest paid Director and the staff average (audited):
In 2020, the Company reduced bonuses for staff and the Highest Paid Director as the Board considered the impact to businesses and employees of COVID-19 which contributed to the ratio falling in 2020 before returning to more typical levels in 2021/2022. The 2022/2023 salary and allowances pay change for staff average of 18% is in excess of that of the Highest Paid Director, the increase reflecting the additional staff brought into the Company alongside some internal promotions.

	2022/23		2021/22 (annualised)[1]	
	Total salary and allowances	Bonus payments[2]	Total salary and allowances	Bonus payments
Staff average	18%	4%	2%	67%
Highest Paid Director	3%	8%	2%	62%

1 The 2021/22 figures represent annualised changes to remuneration from 2020.
2 Bonus payments in the year reflect the average percentage change from the previous financial year in respect of the Highest paid Director and the employees of the entity taken as a whole.

PENSIONS

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

STAFF TURNOVER PERCENTAGE

During the 12-month period one member of permanent staff left the Company (2021/2022: zero).

Staff turnover, as defined in the Government Reporting Framework, requires disclosure for all changes to permanent staff and fixed term contractors during the 12-month period, which equated to two changes in staff in 2022-2023 (2021/2022: one). Disclosing the percentage change to staff turnover is not considered of benefit given the size of the staff numbers involved.

SERVICE AGREEMENTS AND EXIT PAYMENTS (AUDITED)

Our policy is to employ Executive Directors on standard contracts of employment with a 12-month employer notice period; Non-Executive Directors' notice periods are three months. There was one exit payment made in 2022-23 (2021-22: nil).

REMUNERATION AND STAFF REPORT CONTINUED

MALE / FEMALE STAFF BREAKDOWN

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

	31 March 2023		31 March 2022	
	Male	Female	Male	Female
Non-Executive Directors	4	4	3	3
Executive Directors	1	–	1	–
Staff	3	10	2	8
Total	**8**	**14**	**6**	**11**

OFF-PAYROLL ENGAGEMENT

Off-payroll arrangements are engagements where staff, either self-employed or acting through an intermediary company, are paid by invoice rather than via payroll. There were 6 off-payroll engagements during 2022-2023 (2021-2022:6).

The tables below show off-payroll engagements by RFL during the 12 months to 31 March 2023 for more than £245 per day. There have been no Directors and/or senior officials with significant financial responsibility engaged off-payroll for the 12-month period to 31 March 2023 and 15-month period to 31 March 2022.

All off-payroll appointments in place as of 31 March 2023, earning at least £245 per day	2022/23 12 months to 31 March 2023	2021/22 15 months to 31 March 2022
That have existed for less than 1 year at reporting date	1	4
That have existed between 1 and 2 years at reporting date	3	–
That have existed between 2 and 3 years at reporting date	–	–
That have existed between 3 and 4 years at reporting date	–	–
That have existed for 4 or more years at reporting date	1	1
Total	**5**	**5**

All off-payroll appointments in place at any point during the period and earning at least £245 per day	2022/23 12 months to 31 March 2023	2021/22 15 months to 31 March 2022
Number where the off-payroll legislation does not apply	–	–
Number where off-payroll legislation does apply and assessed as within scope of IR35	–	–
Number where off-payroll legislation does apply and assessed as not within the scope of IR35	6	6
	6	6
Number of appointments that were reassessed for consistency / assurance purposes during the year	–	–
Of which: Number of engagements that saw changes to the IR35 status following the assurance review	–	–
Total	**6**	**6**

STAFF SICKNESS ABSENCE (ANNUAL WORKING DAYS LOST)

The average working days per employee lost to sick absence during 2022/23 was 1.3 days (2021/22: 1.7 days).

MENTAL HEALTH AND WELLBEING

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

EQUAL OPPORTUNITIES

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

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

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

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

- have >40% of women on the Board; and
- have one member of the Board from a Black, Asian or other minority ethnic background.

During 2022/2023, RFL managed to achieve both targets above and the wider organisation aims to reflect these targets across business leadership teams as well as the wider team. RFL's expansion plans are an opportunity to realise RFL's targets.

RFL's role as an Arm's Length Body within Government provides access to a range of guidance around Government-wide Corporate Legislation, Codes of Good Practice and Guidance. A key element of RFL's values is its application of The Equalities Act 2010.

RFL is committed to valuing diversity and seeks to provide all employees with the opportunity for employment, career, and personal development on the basis of ability, qualifications and suitability for the work as well as their potential to be developed into the job. RFL provides all reasonable assistance to employees who are or who become disabled, making reasonable adjustments wherever possible to provide continued employment.

HEALTH AND SAFETY

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

DIRECTORS' REPORT

To ensure the successful delivery of the Company's strategy, RFL's 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 within the Governance section of this report.

EMPLOYEES

The average number of employees during 2022/23 was fourteen (2021/22: eleven).

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 on page 78 in the Notes to the Company Financial Statements.

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 in the subsequent section of this report.

The Directors of the Company during the period 1 April 2022 to 11 July 2023 were:

NON-EXECUTIVE DIRECTORS

Jane Hanson (Chair)

Judith Buttigieg
(appointed 13 February 2023)

Katherine Garner

Jonathan Gorrie (resigned 6 July 2022)

James Hardie (resigned 2 July 2022)

Donal Quaid
(appointed 30 August 2022)

Saleh Saeed
(appointed 14 December 2022)

Glyn Smith
(Senior Independent Director)

Holger Vieten
(appointed 21 April 2022)

Jenny Watson

Lawrence M. Weiss
(appointed 11 July 2023)

EXECUTIVE DIRECTOR

Adrian Smith (Chief Executive)

DISTRIBUTIONS

Under the Dormant Bank and Building Society Accounts Act 2008, the only distributions the Company is permitted to make are to TNLCF. £91.8m distributions were paid to TNLCF during the 12-month period to 31 March 2023 (2021/22: £144.3m).

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

GOING CONCERN AND VIABILITY STATEMENT

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

The Directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance. In particular, the Directors have given careful consideration to the expected cash outflows compared to the available cash and liquid assets in a normal and stressed scenario. This includes consideration of realistic scenarios whereby plausible economic, regulatory, and technological developments are modelled to reflect a dramatic fall in transfers into the Scheme and an increase in reclaim rates.

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

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations were made during the period (2021/22: £nil).

MATTERS COVERED IN THE STRATEGIC REPORT

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

AUDITORS

Pursuant to the Framework Agreement in place, the auditors will be deemed to be reappointed and the Comptroller and Auditor General will therefore continue in office.

By order of the Board

ADRIAN SMITH OBE
Chief Executive

11 July 2023

Reclaim Fund Ltd
Registered number: 07344884

STATEMENT OF DIRECTORS' AND ACCOUNTING OFFICER'S RESPONSIBILITIES

In respect of the Strategic report, the Directors' report, the Directors' remuneration and staff report and the Financial statements.

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

Company law requires the Directors to prepare the Annual Report and Accounts for each financial period. Under that law, the Directors have elected to prepare the Annual Report and Accounts in accordance with UK Adopted International Accounting Standards ('IAS').

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

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ('IFRS') is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the Annual Report and Accounts, state whether UK Adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Report and Accounts;
- prepare the Annual Report and Accounts on the going concern basis unless it is appropriate to presume that the Company will not continue in business; and
- Prepare the information and disclosures required by the Dormant Bank and Building Societies Act 2008.

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

Each of the Directors confirms that, to the best of his/her knowledge and belief:

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

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

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

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

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

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

ADRIAN SMITH OBE
Chief Executive

on behalf of the Board

11 July 2023

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

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

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

RFL has not incurred any losses or special payments requiring disclosure, nor made any gifts during the reporting period to 31 March 2023 (2022: none) (audited).

In accordance with the terms of the Act, RFL has inherited the liability for all Dormant Balances transferred from Participants and as such recognises remote contingent liabilities totalling £973.9m (2022: £887.5m), this balance representing the remaining exposure that RFL may be required to settle above and beyond the amounts already set aside within the provision for reclaims and capital reserves.

ADRIAN SMITH OBE
Chief Executive

11 July 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD AND THE HOUSES OF PARLIAMENT

Opinion on financial statements

I have audited the financial statements of Reclaim Fund Ltd for the year ended 31 March 2023 which comprise the Reclaim Fund Ltd's

- Statement of Financial Position as at 31 March 2023;
- Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion the financial statements:

- give a true and fair view of the state of Reclaim Fund Ltd's affairs as at 31 March 2023 and of the retained surplus for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF RECLAIM FUND LTD AND THE HOUSES OF PARLIAMENT

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

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

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

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

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

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

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

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

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that they considered to be significant to the financial statements is set out on page 34.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

A key audit matter has been added relating to the audit of the investment securities balance in the financial statements. As a result of changes to the definition of a significant risk in the revised ISA (UK) 315 Identifying and assessing the risks of material misstatement through understanding the entity and the environment, in 2022/23 I recognised a significant risk around additions and derecognitions of investments, an area which requires significant resource to audit.

Provision for reclaims of dormant account balances

DESCRIPTION OF RISK

Dormant account balances are transferred to Reclaim Fund Ltd from UK financial institutions under the Dormant Assets Act 2022. Under the requirements of the Act, the obligation to repay dormant account holders who subsequently reclaim their money is transferred to Reclaim Fund Ltd. As at 31 March 2023, Reclaim Fund Ltd recognised a provision of £168.5 million (31 March 2022: £176.0 million).

The provision for reclaims of dormant account balances is the main source of estimation uncertainty in the financial statements. I identified significant risks of material misstatement around the method and model used to calculate the provision, assumptions made by management and the completeness and accuracy of disclosures made about the provision, in particular around estimation uncertainty.

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

HOW THE SCOPE OF MY AUDIT RESPONDED TO THE RISK

I tested the design and implementation of key controls including the controls and governance in place over the base model and additional margin.

I also performed the following procedures to address the significant risks of material misstatement:

- I assessed the approach to measuring the provision against the requirements of IAS 37 to determine a best estimate of the expenditure required to settle the obligation.
- I engaged an independent actuary as an auditor's expert to assess the methodological approach taken by management's experts to determine the best estimate of the provision.
- I assessed the application of the methods used to calculate the base model by using my auditor's expert to develop a challenger model to estimate the model output at the reporting date.
- I tested the application of methods used to calculate the additional margin by reperforming management's calculations.
- I evaluated the overall provision calculated by management against a range developed by my auditor's expert.
- I assessed the completeness and appropriateness of significant assumptions in both the base model and additional margin using my auditor's expert. My auditor's expert also reviewed the approach to determining the additional margin including the rationale for key judgements and the reasonableness of assumptions which they discussed with the actuary on whose report this was based.
- I assessed the actuarial experts used by management under ISA 500 Audit Evidence to enable me to use their work as audit evidence.
- I have reviewed management's assessment of estimation uncertainty and the disclosures made.

In addition to the procedures required to address the significant risks of material misstatement, I tested the completeness and accuracy of the input data used in the base model by testing a sample of transfers of dormant account balances and reclaims and reconciling these to the financial statements and input data used in the model.

KEY OBSERVATIONS

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

The value of the provision is highly dependent on the assumptions made by management in relation to the additional margin which it considers appropriate to reflect the risk that future reclaims will be higher than historic levels. The financial statements disclose the sensitivities estimated by management (note 1) and the movements in the provision (note 12) which I am content are adequately disclosed.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF RECLAIM FUND LTD AND THE HOUSES OF PARLIAMENT

Investment securities

DESCRIPTION OF RISK

Reclaim Fund Ltd has a policy to invest in high grade investment securities with the objective that in the long term it will have sufficient assets to meet its liabilities as they fall due. Reclaim Fund Ltd holds its investments to maturity to collect the contractual cash flows which arise. At 31 March 2023, Reclaim Fund Ltd held investment securities recognised at amortised cost of £446.7 million (31 March 2022: 435.4 million).

In the 12 months to 31 March 2023, £150.6 million (31 March 2022: 238.1 million) investments matured and two investments of £2.8 million (31 March 2022: 3.2 million) was sold; these were therefore derecognised. In the same period, Reclaim Fund Ltd purchased £170.5 million (31 March 2022: 333.2 million) of new investment securities.

Reclaim Fund Ltd manages its investments through a fund manager and asset custodian. Turnover in the portfolio due to investments maturing, reinvestment of the proceeds from those maturities and the investment of cash transferred to the fund manager for investment is significant to the financial statements. The higher level of risk associated with these movements meant I recognised a significant risk of material misstatement in respect of additions and derecognitions of investments in the year ended 31 March 2023. My audit work also considered, the valuation of the portfolio at the year end, and the expected credit loss recognised by Reclaim Fund Ltd in line with IFRS 9 Financial instruments, which I did not consider to be significant risks of material misstatement.

HOW THE SCOPE OF MY AUDIT RESPONDED TO THE RISK

I tested the design and implementation of key controls, including controls operated by the investment manager and asset custodian, who I considered to be service organisations under ISA 402 Audit considerations relating to an entity using a service organisation.

I also performed the following procedures to address the significant risks of material misstatement:

- I agreed the transactions and balances in the financial statements to reports provided to Reclaim Fund Ltd by its asset custodian and fund manager.
- I tested all new investments recognised by Reclaim Fund Ltd during the year to confirm that they had occurred, been initially recognised at the correct value, classified correctly and in the right period.
- I tested all investments which had been matured and the disposals made by Reclaim Fund Ltd to confirm that they had occurred and had been appropriately removed from the financial records at the correct valuation.

In addition to the procedures required to address the significant risks of material misstatement:

- I developed a model to reperform the calculation of the amortised cost of the investment portfolio at the year-end.
- I agreed the fair value of the investments disclosed by management to independent sources to confirm the disclosure was materially accurate.
- I evaluated management's method to calculate the expected credit loss on the investment portfolio, including consideration of the data and assumptions used.

KEY OBSERVATIONS

Based on the procedures performed above I concluded that investment additions and derecognitions had been recorded appropriately and that overall, investment securities balances were not materially misstated.

Application of materiality

MATERIALITY

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

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

	Audited Entity
Materiality	£7,200,000
Basis for determining materiality	1% of total assets less committed distributions of £728.1 million (31 March 2022: £686.6 million)
Rationale for the benchmark applied	I have based materiality on total assets less committed distributions on the basis that this represents the assets received from dormant account holders and under the control of Reclaim Fund Ltd's and therefore available to repay reclaims from dormant account holders or for making future distributions subject to the company complying with its regulatory capital requirements. I assess this to be the primary interest of the key users of the accounts including participant banks, dormant account holders and The National Lottery Community Fund.

PERFORMANCE MATERIALITY

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2022-23 audit (2021-22: 65%). Performance materiality was lower in 2021-22 as it took into consideration that it was my first year auditing the entity. In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

OTHER MATERIALITY CONSIDERATIONS

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

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

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF RECLAIM FUND LTD AND THE HOUSES OF PARLIAMENT

ERROR REPORTING THRESHOLD

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £72,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements

There are no unadjusted audit differences.

Audit scope

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which I report by exception

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

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

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

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

Corporate governance report

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

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 46;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on pages 39;
- Directors' statement on fair, balanced and understandable set out on pages 47;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 22 to 25;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 39; and
- The section describing the work of the audit committee set out on page 34.

Responsibilities of the Directors for the financial statements

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

- maintaining proper accounting records;
- providing the Comptroller and Auditor General ('C&AG') with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Reclaim Fund Ltd from whom the auditor determines it necessary to obtain audit evidence.
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006,
- prepare the information and disclosures required by the Dormant Bank and Building Societies Act 2008;
- ensuring such internal controls are in place as Directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report in accordance with the Companies Act 2006;
- preparing the Directors' Remuneration and Staff Report, which is included in the Annual Report, in accordance with the Government Financial Reporting Manual; and
- assessing Reclaim Fund Ltd's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF RECLAIM FUND LTD AND THE HOUSE OF PARLIAMENT

Auditor's responsibilities for the audit of the financial statements
My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK).

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING NON-COMPLIANCE WITH LAWS AND REGULATIONS INCLUDING FRAUD
I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO NON-COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING FRAUD
In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

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

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

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

AUDIT RESPONSE TO IDENTIFIED RISK

- To respond to the identified risks resulting from the above procedures: I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I reviewed correspondence between Reclaim Fund Ltd and the Financial Conduct Authority.

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

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

OTHER AUDITOR'S RESPONSIBILITIES

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

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

STEPHEN YOUNG (SENIOR STATUTORY AUDITOR)

13 July 2023

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

FINANCIAL STATEMENTS

CONTENTS

Income statement	**59**
Statement of comprehensive income	**60**
Statement of financial position	**61**
Statement of cash flows	**62**
Statement of changes in equity	**63**
Notes to the Company Financial Statements	**64**

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2022/2023 £'000 12 months	2021 £'000 15 months
Amounts received in respect of dormant accounts	4	**143,392**	153,960
Interest income	5	**13,589**	4,021
Interest expense	5	**(174)**	(260)
Net income		**156,807**	**157,721**
Operating expenses	3	**(4,565)**	(3,874)
Set-up costs for expansion of Dormant Asset Scheme	3	**(3,100)**	(567)
Change in provision for reclaims of dormant account balances	12	**(7,888)**	(52,035)
Operating result before distributions		**141,254**	**101,245**
Provision for future distributions to TNLCF	13	**(90,374)**	(91,756)
Surplus before taxation		**50,880**	**9,489**
Taxation (charge)/credit	6	**(1,139)**	133
Retained surplus	2	**49,741**	**9,622**

The notes on pages 64 to 80 form part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	2022/23 £'000 12-months	2021/22 £'000 15-months
Retained surplus for the financial period	**49,741**	9,622
Other comprehensive income for the year	**–**	–
Total comprehensive income for the financial period	**49,741**	9,622

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

The notes on pages 64 to 80 form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000
Assets			
Cash and cash equivalents	11	**280,691**	250,258
Investment securities	10	**446,689**	435,425
Current income tax asset		**–**	43
Deferred tax asset	6	**4**	161
Trade and other receivables		**314**	266
Intangible assets	7	**31**	19
Right-of-use assets	9	**207**	237
Plant and equipment	8	**126**	172
Total assets		**728,062**	**686,581**
Liabilities			
Trade and other payables	14	**1,137**	841
Lease liabilities	20	**235**	264
Provision for future distributions	13	**90,374**	91,756
Provision for reclaims of dormant account balances	12	**168,490**	176,024
Current income tax liability		**389**	–
Total liabilities		**260,625**	**268,885**
Capital and reserves			
Share capital	16	**–**	–
Capital reserve	16	**467,437**	417,696
Total equity		**467,437**	**417,696**
Total liabilities and equity		**728,062**	**686,581**

The notes on pages 64 to 80 form part of the Financial Statements.

Approved by the Board of Directors on 11 July 2023 and signed on its behalf by:

ADRIAN SMITH OBE
Chief Executive

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2022/23 £'000	2021/22 £'000
Cash flows from operating activities			
Surplus before tax		**50,880**	9,489
Adjustments:			
Amortisation of intangibles	7	**7**	11
Depreciation of plant and equipment	8	**86**	119
Depreciation of right-of-use asset	9	**30**	38
Increase in trade and other receivables		**(50)**	(77)
Increase/(decrease) in accrued expenses		**296**	(214)
Change in provision for reclaims of dormant account balances	12	**7,888**	52,035
Additional provision for future distributions	13	**90,374**	91,756
Interest receivable		**(13,589)**	(4,079)
Interest expense paid on participant reclaims	5	**160**	240
Interest expense paid on leases	20	**14**	20
Loss on disposal of investment securities	3	**484**	58
Expected credit loss	3	**164**	–
Subtotal – cash flows from operating activities		**136,744**	**149,396**
Cash flows from operating activities			
Payments made in respect of participant reclaims	12	**(15,422)**	(15,362)
Interest expense paid on participant reclaims	5	**(160)**	(240)
Distribution payments	13	**(91,756)**	(144,308)
Income tax paid	6	**(550)**	(30)
Net cash flows from operating activities		**28,856**	**(10,543)**
Cash flows from investing activities			
Purchase of investment securities		**(167,745)**	(333,158)
Proceeds from maturity of investment securities		**150,631**	238,082
Proceeds from disposal of investment security		**2,832**	3,170
Interest received		**15,961**	10,893
Purchase of plant and equipment	8	**(40)**	(191)
Purchase of intangibles	7	**(19)**	(21)
Decrease in lease liability	20	**(43)**	(53)
Net cash flows from investing activities		**1,577**	**(81,278)**
Net increase/(decrease) in cash and cash equivalents		**30,433**	**(91,821)**
Cash and cash equivalents at the beginning of the financial period		**250,258**	342,079
Cash and cash equivalents at the end of the financial period	11	**280,691**	250,258

Note: prior year comparatives have been represented.

The notes on pages 64 to 80 form part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

2022/23	Notes	Share capital £'000	Capital reserve £'000	Total £'000
Balance at 1 April 2022		–	417,696	417,696
Total comprehensive income for the financial year		–	49,741	49,741
Balance at 31 March 2023	16	–	467,437	467,437

2021/22				
Balance at 1 January 2021		–	408,074	408,074
Total comprehensive income for the financial period		–	9,622	9,622
Balance at 31 March 2022	16	–	417,696	417,696

The notes on pages 64 to 80 form part of the Financial Statements.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. Significant accounting policies

BASIS OF PREPARATION

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

The Financial Statements have been prepared under the historic cost convention. The Company's Financial Statements are prepared in accordance with UK Adopted International Accounting Standards, in conformity with the requirements of the Companies Act 2006 and, as appropriate, in relation to the financial statements and selected disclosures within the Annual Report only, the Government Financial Reporting Manual and other guidance issued by HM Treasury where the disclosure requirements of these go beyond the Companies Act 2006. All amounts presented are stated in thousands of GBP (£'000), unless otherwise stated. The Statement of Financial Position is ordered according to liquidity and gives prominence to principal balances.

STANDARDS AND ACCOUNTING POLICIES ADOPTED BY THE COMPANY

The accounting policies applied in preparing these Financial Statements are consistent with those described in the 2021/22 Annual Report and Accounts. IFRS 17 Insurance Contracts is a comprehensive new accounting standard covering recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts. The standard is effective from 1 January 2023. RFL has assessed that IFRS 17 is not applicable to the Company and that there will be no impact on its Financial Statements.

EXISTING POLICIES

Use of estimates and judgements

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

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

Significant areas of estimation uncertainty that have the most effect on the amounts recognised in the Annual Report and Accounts relate to the provisions for reclaims of dormant account balances of £168.5m (2021/22: £176.0m). The provision for future distributions of £90.4m (2021/22: £91.8m) is also considered to be a key accounting judgement given the Board has total discretion over the amount of distributions. These are discussed below.

Provision for reclaims of dormant account balances

Upon transfer of dormant account monies from UK financial institutions to the Company, the obligation to repay dormant account holders who subsequently reclaim their money is also transferred to the Company. The Directors regard the provision as a key accounting estimate.

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

Best estimate

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

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

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

The calculation of the provision for future repayments of dormant account balances is inherently complex, with significant amounts of uncertainty in the quantum of reclaims expected and time period for which reclaims will continue.

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

Assumptions used in the best estimate

The key assumptions within the best estimate as at 31 March 2023 are as follows:

1. Individual large amounts over £1m transferred to RFL are deemed to have a higher likelihood of reclaim, as to date there appears a relationship between reclaim size and reclaim proportion; and

2. The discount rate applied uses current government bond yields as this is consistent with the approach taken by other Financial Services Companies. A discount rate of 3.5% was applied at 31 March 2023. (31 March 2022: 1.5%).

As explained in the accounting policy note on page 75, there is an additional margin of 5% (2021/22: 5%) to take account of the potential volatility in reclaim behaviour. Additionally, no dormant balance transfers are excluded from the source data input into the GLM, thereby ensuring all data is modelled irrespective of reclaim behaviour within the analysis. Transfers with either very high or very low reclaim rates are included to provide an accurate representation of the whole portfolio.

Sensitivity analysis

The Board recognises the inherent sensitivities of the assumptions in the best estimate given the limited data available. The key sensitivities to the underlying assumptions in the best estimate as at 31 March 2023 and 31 March 2022 are included in the tables below. Were RFL to reduce the total amount set aside for reclaims from the amounts prescribed in the terms of the ICG (set by the Financial Conduct Authority) a broadly corresponding increase in the levels of capital held by RFL would be required.

	Best estimate as at 31 March 2023 applying sensitivities £'000	Change to best estimate as at 31 March 2023 £'000	Change to capital reserve as at 31 March 2023 £'000
Current reclaim provision	**168,490**	**–**	**–**
The best estimate additional margin is higher by 1%	**185,924**	**17,434**	**(17,434)**
The best estimate additional margin is lower by 1%	**151,057**	**(17,434)**	**17,434**
Individual large balances deemed to have similar reclaim behaviour to lower balances	**162,853**	**(5,637)**	**5,637**
The discount rate is higher by 1%	**164,803**	**(3,687)**	**3,687**
The discount rate is lower by 1%	**172,561**	**4,071**	**(4,071)**

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

The additional margin is linear and thus increments of +/- 1% would proportionally change the provision by £17.4m. (2021/2022: £16.0m). Further details on the movement in the provision for reclaims of dormant accounts balances are included in Note 12.

For further information on the ICG, please refer to Note 19.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. Significant accounting policies continued

Provision for future distributions

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

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

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

Going concern

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

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

Amounts received in respect of dormant accounts

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

Amounts received in respect of dormant accounts represent receipts, from Participants, of dormant account monies and are recognised where there is a probability that future economic benefits will flow to the Company and these benefits can be measured reliably. RFL recognises income when cash is received as this is the point that there are rights and obligations associated with the income.

Interest income

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

Provisions

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

Taxation

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

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

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

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

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

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

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. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership.

ii. Classification and measurement of financial assets
Investment securities are subsequently classified at amortised cost. Amortised cost is determined using the effective interest rate (EIR). This rate discounts projected future cash flows to the present carrying amount of a financial asset. Management intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. In assessing this, management performs the following assessment:

a. Business model assessment

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

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

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

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

iii. Impairment of investment securities
At each reporting period, in accordance with IFRS 9, 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 as being a reduction of two or more sub-grades, 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). 12-month ECLs are applied where there has been no significant increase in Credit Risk.

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

iv. Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the EIR of the financial asset. ECL's are recognised within operating expenses in the profit and loss account, with an equal and opposite amount reducing the size of the investment securities balance.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. Significant accounting policies continued

Capital reserve

The capital reserve represents surplus funds after costs, retained by the Company in order to maintain the necessary capital base to ensure the long-term viability of the organisation. This includes regulatory capital and amounts set aside to cover possible severe reclaim events.

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

Intangible assets

Intangible assets comprise computer software recorded at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, being three years.

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

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

Plant and equipment

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

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

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

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

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. Lease payments are discounted using the interest rate implicit in the lease.

2. Retained surplus

	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Retained surplus for the year is stated after charging:		
Auditor's remuneration		
– audit of these Financial Statements	150	150

Fees for both 2022/23 and 2021/2022 are for external audit services provided by The National Audit Office, which exclude Value Added Tax.

3. Operating expenses

The average number of employees during 2022/23 was fourteen (2021/22: eleven). A breakdown of the operating expenses for 2022/23 and 2021/22 is shown in the table below:

	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Staff costs		
• Wages and salaries	**1,100**	860
• Social security costs	**134**	133
• Pension costs	**81**	86
	1,315	1,079
Non-Executive Directors' fees	**183**	219
Professional services	**1,260**	1,383
FCA fees and FSCS levies	**20**	19
IT and communication costs	**269**	265
Premises costs	**63**	63
Miscellaneous expenses	**192**	135
Depreciation and amortisation	**124**	168
Other operating expenses[2]	**484**	–
Investment management fees	**491**	543
Expected credit losses	**164**	–
Total operating expenses[1]	**4,565**	3,874

1 Further additional costs of £3.1m have been incurred over the year (15 months to 31 March 2022: £0.6m) for Scheme expansion and consists of project management fees, business consultancy and legal support on the new TAA in place for the new scheme, and regulatory advice.

2 In 2021/22, a loss on disposal of a bond for £58k was included within interest income for investment securities in note 5.

Full details of the Executive and Non-Executive Directors' remuneration, including reporting required by the Companies Act 2006, are included within the Remuneration and Staff report on page 40.

FINANCIAL SERVICES COMPENSATION SCHEME LEVIES

RFL participated in the Financial Services Compensation Scheme up until 30 November 2022. As a result of the enactment of the Dormant Assets Act 2022 and the classification of RFL as a non-departmental public body, regulatory changes were implemented, meaning that RFL ceased to participate in the FSCS on 30 November 2022. HM Treasury has confirmed that it is committed to ensuring consumer protection in the event that RFL is or looks likely to be unable to meet its liabilities and to upholding the core principle of the Dormant Assets Scheme (i.e. that owners or beneficiaries can reclaim the amount of the dormant asset balance owed to them at any time). In the event that there was a considerable risk that RFL could not fulfil its reclaim obligations, HM Treasury has indicated to RFL that it would assess the most appropriate course of action in line with these principles, which may include the use of a loan to RFL.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

4. Amounts received in respect of dormant accounts

During the 12-month period to 31 March 2023, £143.4m (15 months to 31 March 2022: £154.0m) was received in respect of dormant accounts funds. A detailed analysis of receipts by participant is provided below:

Main Scheme Participant	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Bank Leumi UK plc	–	789
Barclays Bank UK PLC	59,506	22,905
CIMB Berhad	–	24
The Co-operative Bank plc	15,976	2,569
Danske Bank	250	936
DZ Bank	–	1
HSBC Bank plc	13,846	11,414
HSBC London Branch	606	–
Lloyds Banking Group		
Lloyds Bank plc	2,307	10,360
Bank of Scotland plc	7,154	22,757
Malayan Banking Berhad	95	–
National Bank of Egypt (UK)	–	89
Nationwide Building Society	2,886	5,192
NatWest Group		
Adam & Company plc	–	18
Coutts & Co	–	27
National Westminster Bank plc	12,234	13,672
The Royal Bank of Scotland plc	3,512	4,461
Ulster Bank Limited	694	915
Santander UK plc	21,801	45,697
Standard Chartered Bank	–	8,603
Virgin Money UK PLC		
Clydesdale Bank plc	–	1,487
Virgin Money plc	2,070	1,923
Total amounts received in respect of the Main Scheme	**142,937**	153,839

Alternative Scheme Participant	2022/23 £'000	2021/22 £'000
Cambridge Building Society	–	108
Leek Building Society	–	13
Marsden Building Society	171	–
Saffron Building Society	284	–
Amounts received in respect of the Alternative Scheme	**455**	121
Total amounts received in respect of dormant accounts	**143,392**	153,960

5. Interest income and expense

	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Interest income:		
On investment securities[1]	**7,259**	3,459
On cash deposits	**6,330**	562
	13,589	4,021
Interest expense:		
On Participant reclaims	**160**	240
On lease liabilities	**14**	20
	174	260

1 In 2021/22, a loss on disposal of a bond for £58k was included within interest income for investment securities.

6. Taxation

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

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

	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Current tax		
UK corporation tax on profits at 19% (2022: 19%)	**982**	–
Adjustments in respect of previous periods	**–**	10
	982	10
Deferred tax		
Origination and reversal of timing differences	**145**	(96)
Adjustments in respect of previous periods	**12**	(8)
Change in deferred tax rate	**–**	(39)
	157	(143)
Total tax charge/(credit) for the financial period	**1,139**	(133)

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

6. Taxation continued

	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Reconciliation of effective tax rate		
Surplus before tax	**50,880**	9,489
UK corporation tax at 19% (2022: 19%)	**9,667**	1,803
Non-taxable income	**(27,245)**	(29,252)
Disallowable provision for reclaim repayments	**1,499**	9,886
Disallowable payments and provision for future distributions to TNLCF	**17,206**	17,434
Expenses not deductible for tax purposes	**–**	33
Prior year adjustment – current tax	**12**	2
Change in deferred tax rate	**–**	(39)
Total tax charge/(credit) for the financial period	**1,139**	(133)

Since 1 April 2017, the statutory rate of UK corporation tax has been 19%. The previously enacted corporation tax reduction to 17% on 1 April 2020 was cancelled in the Budget of 11 March 2020, and a resolution effecting this passed by Parliament on 17 March 2020. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

DEFERRED TAX

The movement on deferred tax is as follows:

	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Asset at the beginning of the financial period	**161**	18
Adjustments in respect of deferred tax of previous year	**(12)**	8
Income statement (charge)/release in the period	**(145)**	96
Change in deferred tax rate	**–**	39
Asset at the end of the financial period	**4**	161

The balances at the beginning represent taxable temporary differences on fixed assets. The closing balance at 31 March 2023 represents future capital allowances that the business expects to be able to realise and offset against future taxable profits.

7. Intangible assets – computer software

	2022/23 £'000
Cost	
Opening balance at 1 April 2022	85
Additions	19
Closing balance at 31 March 2023	104
Amortisation	
Opening balance at 1 April 2022	66
Amortisation charge	7
Closing balance at 31 March 2023	73
Carrying amount	
Opening balance at 1 April 2022	19
Closing balance at 31 March 2023	31

8. Plant and equipment

	Fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost			
Opening balance at 1 April 2022	120	498	618
Additions	2	38	40
Disposals	–	(10)	(10)
Closing balance at 31 March 2023	122	526	648
Depreciation			
Opening balance at 1 April 2022	115	331	446
Depreciation charge	2	84	86
Disposals	–	(10)	(10)
Closing balance at 31 March 2023	117	405	522
Carrying amount			
Opening balance at 1 April 2022	5	167	172
Closing balance at 31 March 2023	5	121	126

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

9. Right-of-use assets

	2022/23 £'000
Cost	
Opening balance at 1 April 2022	**337**
Closing balance at 31 March 2023	**237**
Depreciation	
Opening balance at 1 April 2022	**100**
Depreciation charge	**30**
Closing balance at 31 March 2023	**130**
Carrying amount	
Opening balance at 1 April 2022	**337**
Closing balance at 31 March 2023	**207**

10. Investment securities

	31 March 2023 £'000	31 March 2022 £'000
Central governments or central banks	**22,972**	9,489
Supranationals	**137,833**	122,285
Corporates	**282,787**	300,563
Accrued interest	**3,261**	3,088
Expected credit losses	**(164)**	–
	446,689	435,425

The carrying value of financial instruments measured at amortised cost is determined in compliance with the accounting policies on page 67. Investment securities primarily comprise of GBP denominated fixed income instruments.

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

	Carrying value £'000	Fair value £'000
31 March 2023		
Investment securities	**446,689**	**425,611**
31 March 2022		
Investment securities	435,425	426,988

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

VALUATION HIERARCHY

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

Of the total investment securities held, £116.4m (2021/2022: £118.0m) is due to mature in less than 12 months from the reporting date.

11. Cash and cash equivalents

	2022/23 31 March 2023 £'000	2021/22 31 March 2022 £'000
Cash and cash equivalents	**280,691**	250,258

Cash and cash equivalents comprise £248.3m (2021/222: £211.0m) held with the Bank of England, £3.5m (2021/22: £5.6m) with HSBC Bank plc and £28.9m (2021/22: £33.6m) held with the investment manager. The carrying value of cash and cash equivalents equates to fair value.

12. Provision for reclaims of dormant account balances

Reconciliation of movement in best estimate for provision of reclaims in 2022/23	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Total balance at the beginning of the financial period	**176,024**	**139,351**
Utilised in the period	**(15,422)**	(15,362)
Change in the modelling due to reclaim experience	**(12,868)**	9,690
Unwind of discount rate	**1,184**	–
Change to 31 March 2023 discount rate	**(9,524)**	(6,494)
Best estimate in respect of new transfers received in the year	**29,096**	48,839
At the end of the period	**168,490**	176,024

The timing of outflows from the provision is inherently uncertain given the limited data held and the short time in which RFL has operated. Our model predicts reclaim payments to Participants of £16.5m for the next financial year. The larger proportion of reclaims typically occurs following transfer of dormant balances to RFL, however, this is dependent on the Participant, and the timing and value of reclaims made. The best estimate contains an additional margin that considers possible increased reclaims, the timing of which is inherently uncertain.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

12. Provision for reclaims of dormant account balances continued

During the 12 months to 31 March 2023, £15.4m (2022: £15.4m) 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	2022/23 Year to 31 March 2023 £'000	2021/22 15 months to 31 March 2022 £'000
Barclays Bank UK PLC	**2,916**	1,806
The Co-operative Bank plc	**271**	352
Danske Bank	**72**	16
HSBC Bank plc	**1,210**	684
Lloyds Banking Group		
Lloyds Bank plc	**568**	1,033
Bank of Scotland plc	**2,963**	4,721
Nationwide Building Society	**1,445**	1,138
NatWest Group		
National Westminster Bank plc	**937**	811
The Royal Bank of Scotland plc	**142**	35
Ulster Bank Limited	**93**	79
Santander UK plc	**4,139**	3,699
TSB Bank plc	**11**	73
Virgin Money UK PLC		
Clydesdale Bank plc	**72**	62
Virgin Money plc	**443**	748
Total amounts paid in respect of the Main Scheme	**15,282**	15,257

Alternative Scheme Participant	2022/23 £'000	2021/22 £'000
Cambridge Building Society	**26**	52
Newcastle Building Society	**84**	53
Saffron Building Society	**30**	–
Amounts paid in respect of the Alternative Scheme	**140**	105
Total amounts paid in respect of dormant accounts	**15,422**	15,362

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 maximum remaining exposure that RFL may be required to settle above and beyond the amounts already set aside within the provision for reclaims and capital reserves as follows:

Remaining exposure	2022/23 At 31 March 2023 £'000	2021/22 At 31 March 2022 £'000
Main Scheme	**971,209**	885,447
Alternative Scheme	**2,720**	2,037
	973,929	887,484

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

13. Provision for future distributions to TNLCF

	2022/23 31 March 2023 £'000	2021/22 31 March 2022 £'000
At the beginning of the period	**91,756**	53,990
Additional provision created in the period	**90,374**	91,756
Approved for distribution to TNLCF	**(91,756)**	(53,990)
At the end of the period	**90,374**	91,756

£91.8m of funds were distributed to TNLCF during the period (2021/22: £144.3m) – this was paid in February 2023. The closing balance at 31 March 2023 of £90.4m was approved on 11 July 2023 for distribution to TNLCF. The balance is classified as current as it is expected to be drawn down by TNLCF within 12 months.

14. Trade and other payables

	2022/23 31 March 2023 £'000	2021/22 31 March 2022 £'000
Accrued expenses	**1,136**	841

15. Parent undertaking

Effective from the change in ownership on 30 March 2021, the shares in the Company are owned by the Treasury Solicitor for the Affairs of His Majesty's Treasury in its capacity as nominee for HM Treasury, and the Company considers the UK Government to be its ultimate parent and controlling party. As a Non-Departmental Government Body, RFL is consolidated into the 2022-23 HM Treasury Group Accounts, which are available at www.gov.uk/official-documents.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

16. Share capital and reserves

	2022/23 31 March 2023 £	2021/22 31 March 2022 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	100

	2022/23 £'000	2021/22 £'000
Capital reserve	**467,437**	417,695

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

The capital reserve represents surplus funds after costs, retained by the Company in order to maintain the necessary capital base to ensure the long-term viability of the organisation. This includes regulatory capital and amounts set aside to cover possible severe reclaim events. Under the Act, the capital reserve is not distributable to the parent undertaking.

17. Related parties

The Company has not entered into any transactions with Directors of the Company or their immediate relatives, other than the emoluments that are paid. For further information, please see the Remuneration and Staff report on page 40.

UK GOVERNMENT

As described in note 15 to the Financial Statements, the Company considers the UK Government to be its ultimate controlling party. Following the ONS reclassification of RFL as a central government body, with RFL thereby becoming a Non-Departmental Government Body, RFL is consolidated into the 2022-23 HM Treasury Group Accounts, thereby giving rise to the relationship with Government departments and Central Government bodies.

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

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

RFL is regulated by the FCA and was a member of the FSCS up until 30 November 2022, both of whom are ultimately controlled by UK Government. All fees payable to the FCA and FSCS were made in the ordinary course of business and are not unusual in their nature or conditions.

18. Risk management

LIQUIDITY AND FUNDING RISK

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

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

CREDIT RISK

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

Cash deposits are currently held with the Bank of England (£248.3m, 2021/22: £211.0m), HSBC Bank plc (£3.5m, 2021/22: £5.6m) and the investment manager (£28.9m, 2021/22: £33.6m). The Company considers its credit risk on cash deposits to be minimal.

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

The maximum exposure to credit risk at the balance sheet date is £727.3m (2021/22: £685.7m), being £280.7m cash deposits and £446.7m investments (2021/22: £250.3m cash deposits and £435.4m investments).

MARKET RISK

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

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

19. Capital management

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and, in the future, to support the risks in the business. The Directors are responsible for ensuring capital is managed appropriately on an ongoing basis to meet this objective. Capital adequacy is reviewed by the Board at each quarterly meeting as detailed within the Viability Statement in the Directors' Report.

The Company is required by the FCA to hold regulatory capital in respect of its activities as a reclaim fund. Capital comprises the excess of assets over liabilities. The ICG prescribes the minimum amount of capital that RFL is required to hold at all times to mitigate the risks that exist. The ICG for RFL, as prescribed in the FCA's permission letter to RFL on establishment, is formed of two parts, namely a Pillar 1 requirement in respect of operational risk and credit risk and a Pillar 2 separate capital component in respect of reclaim risk (and expense risk). In considering capital for regulatory purposes RFL considers both the provision for reclaims and its capital and reserves. Were RFL to reduce the total amount set aside for reclaims from the amounts prescribed in the terms of the ICG (set by the FCA), RFL would require there to be a broadly corresponding increase in the levels of capital required to be held. The Company has, at all times during the year, held sufficient capital to meet its regulatory capital requirement (ICG).

The Company's capital resources are its capital and reserves of £467.4m (2021/22: £417.7m).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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

Maturity analysis of lease liabilities is as follows:

	31 March 2023 £'000	31 March 2022 £'000
Within 1 year	30	29
Later than 1 year and not later than 5 years	142	134
Later than 5 years	63	101
	235	264

The movement in the lease liability is as follows:

	2022/23 £'000	2021/22 £'000
At the beginning of the period	264	297
Lease payments	(43)	(53)
Interest expense	14	20
At the end of the period	235	264

21. Non-adjusting post balance sheet event

A distribution to TNLCF of £90.4m was approved by the Board on 11 July 2023.

Aviva plc were the first Participant from the Insurance Sector to join the expanded scheme, and subsequently transferred £17.4m of dormant assets to RFL on the 23 May 2023.

End of the financial statements.

PARTICIPATING BANKS AND BUILDING SOCIETIES

Main Scheme Participant	Dormant account monies received from Participants		Reclaims paid to Participants	
	2022/23 £'000	Since inception £'000	**2022/23 £'000**	Since inception £'000
Allied Irish Bank (UK) plc	**–**	9,873	**–**	124
Australia & New Zealand Bank – London Branch	**–**	3,063	**–**	14
Bank Hapoalim – London Branch	**–**	1,889	**–**	–
Bank Leumi UK plc	**–**	3,399	**–**	165
Barclays Bank UK PLC	**59,506**	342,921	**2,916**	19,808
Butterfield Bank (UK) Limited	**–**	78	**–**	–
CIMB Berhad	**–**	38	**–**	–
Commonwealth Bank of Australia – London Branch	**–**	4	**–**	–
Consolidated Credit Bank Limited	**–**	53	**–**	–
The Co-operative Bank plc	**15,976**	37,185	**271**	2,520
Credit Agricole Corporate & Investment Bank – London Branch	**–**	652	**–**	–
Danske Bank	**250**	7,357	**72**	424
Duncan Lawrie Limited	**–**	17	**–**	–
DZ Bank	**–**	1	**–**	–
Emirates NBD PJSC – London Branch	**–**	107	**–**	1
HSBC Bank plc	**13,846**	110,863	**1,210**	8,386
HSBC – London Branch	**606**	606	**–**	–
Intesa Sanpaolo S.p.A. – London Branch	**–**	115	**–**	–
Lloyds Banking Group				
Lloyds Bank plc	**2,307**	209,206	**568**	10,227
Bank of Scotland plc	**7,154**	252,666	**2,963**	34,792
Malayan Banking Berhad	**95**	95	**–**	–
National Bank of Egypt (UK)	**–**	89	**–**	–
Nationwide Building Society	**2,886**	85,010	**1,445**	5,460
N. M. Rothschild & Sons Limited	**–**	90	**–**	–
R Raphael and Son PLC	**–**	17	**–**	–
Riyad Bank – London Branch	**–**	4	**–**	–
NatWest Group				
Adam & Company plc	**–**	37	**–**	1
Coutts & Co	**–**	1,635	**–**	–
National Westminster Bank plc	**12,234**	168,468	**937**	4,918
The Royal Bank of Scotland plc	**3,512**	63,328	**142**	643
Ulster Bank Limited	**694**	10,762	**93**	419
Santander UK plc	**21,801**	348,754	**4,139**	36,284
Standard Chartered Bank	**–**	8,603	**–**	–
TSB Bank plc	**–**	12,354	**11**	4,177
Virgin Money UK plc				
Clydesdale Bank plc	**–**	23,726	**72**	434
Virgin Money plc	**2,070**	38,472	**443**	7,097
Total – Main Scheme	**142,937**	1,741,536	**15,282**	135,894

PARTICIPATING BANKS AND BUILDING SOCIETIES

	Dormant account monies received from Participants		Reclaims paid to Participants	
Alternative Scheme Participant	**2022/23 £'000**	Since inception £'000	**2022/23 £'000**	Since inception £'000
Cambridge Building Society	**–**	425	**26**	78
Leek Building Society	**–**	13	**–**	–
Marsden Building Society	**171**	171	**–**	–
Newcastle Building Society	**–**	920	**84**	151
Saffron Building Society	**284**	284	**30**	30
Total – Alternative Scheme	**455**	1,813	**140**	259
Total	**143,392**	1,743,349	**15,422**	136,153

GLOSSARY

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

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