



A word cloud of values and principles in various shades of blue and white, set against a yellow background. The words are arranged in a roughly rectangular shape, with some words being significantly larger than others. The words include:

- values
- stakeholders
- and principles
- great place to work
- communication
- personal
- and social
- responsibility
- together
- strong
- grow
- financially strong
- good causes
- across the UK
- highest ethical standards
- principles
- responsible
- ethical
- improve
- strive
- pride
- pride of what we do
- develop
- strive relentlessly
- work constructively
- meet reclaims in perpetuity
- not for profit
- mutual
- success
- open and fair
- improve efficiency
- and effectiveness

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

# About us

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

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

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

## ABOUT THE SCHEME

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

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

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

For a list of our participants, see page 44.

## 2008



Dormant Bank and Building Society Accounts Act 2008 is enacted.

## 2009



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

## 2010



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

## 2011



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

## 2012



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

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](http://mylostaccount.org.uk)

[www.mylostaccount.org.uk](http://www.mylostaccount.org.uk)

## OUR PURPOSE

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

## OUR VISION

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

## OUR VALUES

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

## OUR GIVENS

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

## 2013

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

## 2014

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

## 2015

RFL relocates to independent offices in Crewe. Clydesdale Bank joins the scheme taking total amounts received since inception to over £850m.

## 2016

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

# Enhancing Communities

RFL celebrated its 5th annual 'Enhancing Communities' event on 12 October 2016, with over 80 attendees from a broad range of financial institutions and other stakeholders from across the UK.

The agenda comprised a number of presentations including those from Rob Wilson, Minister for Civil Society, RFL Chairman Jane Hanson and CEO Adrian Smith, as well as UK good causes, namely Beat, Heart & Sound and Unforgettable.org. The day was truly inspirational, highlighting the powerful changes possible to people's lives through the use of Dormant Account monies.



## Case studies



### Beat

**Beat is the UK's eating disorder charity. Since 1989 they have been providing support to people suffering from eating disorders, their friends and families, and other caregivers, and working to raise awareness and understanding of these serious mental illnesses.**

Beat's vision is an end to the pain and suffering caused by eating disorders. They run helplines that anyone can call or email if they're worried about themselves or about someone they know, or if they need someone to talk to. Beat also create spaces where people affected by eating disorders can talk to each other, with online support groups and message boards available for people to share their experiences.

Outside of providing direct support to sufferers and their loved ones, Beat campaign for better understanding, challenging the stigma and misconceptions that surround eating disorders. They provide training in schools and workplaces so that people are aware of the signs and symptoms, and encourage healthcare professionals to recognise eating disorders as mental illnesses, rather than looking for physical signs. Their aim is to get people into treatment as early as possible, increasing the chance of a full and sustained recovery.



### Heart & Sound

**Heart & Sound is a youth work charity recording and media studio run by young volunteers aged 13-24.**

Heart & Sound was formed in the Summer of 2014. Youth workers in Dunfermline noticed the amount of young people in the town who loved music and media, but had very few places to go that were affordable and understood young people. They started out in three tiny offices with a lot of sound proofing, a few cameras, a laptop and two microphones. Now thanks to two years of funding they rent an old pub and music venue full time with multiple studios, state of the art computer editing suites and live stages.

Heart & Sound's young people are involved in every part of the journey, including leasing the pub, shopping for equipment, designing projects and deciding who is invited to record. Their Facebook live session videos have had over 100,000 views.

Some of the young people attending the studio have shaken off depression and anxiety, overcome drugs issues, gained employment and enrolled in college. They have experienced new things such as joining film crews, gigging, recording all over the UK and even meeting famous people in the music and film industry.



### Unforgettable.org

**Unforgettable is a company set up to provide products, advice, and a supportive community to help all those affected by dementia.**

The story of Unforgettable was first conceived when founder James Ashwell was caring for his own mother, who had frontotemporal dementia. He found that he and his family struggled to find a range of products that could help her live well and stay happy.

After she passed away in 2011, he decided that he wanted to set up a site where dementia carers could find products that could help with the different challenges of dementia, but which would also provide advice and information on challenges,

and a supportive community and forum to provide tips on how to live better. That's when he came up with the idea for Unforgettable.

Ultimately, James' end goal is to help people with dementia stay at home for as long as possible and he believes products and advice are key to this. From practical products to aid independence or prevent falls, such as simple mobile phones, GPS trackers or grab rails, to fun activities to keep someone with dementia stimulated, engaged and happy, such as dementia jigsaws and reminiscence aids, his aim is to ensure Unforgettable is the leading marketplace for dementia products and services.

# Chairman's review

RFL's distribution payments to Big Lottery Fund have continued throughout the year and I am pleased to report a total of £105 million was released during 2016.



**"We continue to focus on the careful management of the existing scheme with over £360 million distributed to good causes."**

## 2016 PROGRESS

I am delighted to be reporting in what is Reclaim Fund Ltd's sixth Annual Report and Accounts and my third as Chairman. 2016 has been a very positive year for our business as we have continued to fulfil our role in helping unlock dormant bank and building society accounts, making money available to fund good causes across the United Kingdom, at the same time as ensuring robust governance and oversight of Reclaim Fund's activities.

During 2016 RFL has been able to increase distributions, which helped trigger the full Merlin payment from major banks.

RFL is also pleased to have supported the Dormant Assets Commission ('DAC') in exploring the potential for the creation of an expanded scheme, building on the significant success of the current scheme.

RFL has continued to meet a high standard in the delivery of the existing Dormant Accounts Scheme – increasing distributions while protecting the right to reclaim money in perpetuity – with strong support from our participating banks and building societies. We have also engaged positively with our supervisory regulator and extensively with Government and the DAC, which was established in late 2015, around the future of the scheme. We look forward to further discussion with the Government and stakeholders as to how the scheme can be expanded.

## SCHEME PERFORMANCE

Our participating banks and building societies have continued to support the scheme, which is in its sixth year of operation, transferring in excess of £125 million of dormant account balances to RFL during the year. This brings the total balances received to £980 million. Since the scheme's start, we have returned over £50 million of dormant money to reclaimants, including £13 million last year. Such an achievement is the result not just of continued support from founder and longer standing members but also from participants joining in 2016, including Butterfield Bank, Consolidated Credit Bank and N. M. Rothschild whom we warmly welcome as scheme members.

RFL's distribution payments to Big Lottery Fund have continued throughout the year and I am pleased to report a total of £105 million was released during 2016. This enabled the scheme to reach a major landmark as the payments triggered the release of the full £200 million of capital funding for Big Society Capital pledged by the UK's major high street Banks under the 2011 Merlin Agreement between those banks and the Government.

During 2016, we commenced some work to help us evaluate and model in detail our reclaim experience. This work continues into 2017 and we anticipate being able to develop a more experience-based provisioning and distribution methodology during the year.

## DORMANT ASSETS COMMISSION

We continued to meet with Government and the independent Commission on Dormant Assets throughout 2016. We shared our deep understanding of the current Dormant Accounts Scheme and explored how our knowledge and approach could be applied to a wider scheme. Our dialogue with the DAC was detailed and comprehensive and we are delighted to have helped to inform its view as to how an expanded scheme could work, enabling additional dormant assets to be used for good causes and public benefit.

We welcome the Commission's final report, which was published in March 2017, shortly after our year end, and its recommendation that RFL, in principle, should form the basis of an expanded dormant assets scheme. The Commission has identified up to £2 billion of further dormant assets that could come within the ambit of an expanded scheme. It rightly acknowledges the greater complexity of managing a scheme with these wider asset classes, and the work involved to be able to incorporate and manage these. RFL is willing and enthusiastic to rise to that challenge, and I am confident that we will be able to enhance and develop our already strong capabilities to deal with this greater complexity and a more diverse group of participating financial institutions. As the Commission's report notes, there is considerable further work to be done to make an expanded scheme a reality. We look forward to engaging with the Government and stakeholders, including participants and our regulator, around this and the other work that will need to be done to make an expanded scheme a success.

While this debate about the future of the scheme is very significant, in the meantime we continue to focus on the careful management of the existing scheme which has already seen over £360 million distributed to good causes.

## ENHANCING COMMUNITIES

It was my pleasure to speak at Enhancing Communities, RFL's 5th annual event held in October and I was delighted to introduce the Minister for Civil Society, Rob Wilson. The Minister is a strong ambassador for the good causes which RFL's distributions via the Big Lottery Fund help to support. This event is a unique opportunity to bring together some of the many charitable groups that benefit from the funds released, alongside the financial institutions whose contributions make such funding possible. We continue to be inspired by seeing in practice the difference that monies created from the Dormant Accounts Scheme is making.

## Key highlights from 2016

- Banks and building societies participating in the Scheme transferred £125 million to RFL in 2016.
- Butterfield Bank, Consolidated Credit Bank and N.M. Rothschild joined the scheme during 2016.
- We were able to transfer £105 million to Big Lottery Fund for reinvestment in the community, taking total distributions since inception to more than £360 million.
- The Board was delighted to have worked closely with and supported the work of the Dormant Assets Commission.
- RFL's 2016 annual event, Enhancing Communities, brought together some of the many charitable groups that benefit from the funds released, with the financial institutions which make such funding possible via their contributions.

## GOVERNANCE AND STAFF

I am very grateful to my Board colleagues for their continued dedicated and professional stewardship of the business during the year. They have helped guide the business to a point where an increased flow of funds is available to good causes, while discharging fully our ongoing responsibility to dormant account holders.

My thanks also go to the small but talented and highly committed staff under the leadership of our Chief Executive, Adrian Smith. With strong governance and the great team we have in place, I am confident that we will continue to deliver strong business performance in the years to come, ensuring reclaimants' rights to their lost monies in perpetuity are safeguarded and, where it is not possible to re-unite dormant account holders with their funds, channelling as much money as possible for good causes and the public benefit.

**JANE HANSON**  
CHAIRMAN

31 March 2017

# Chief Executive's review

During 2016, our sixth year of operation, we have again witnessed the community benefit achieved throughout the UK as a result of the money that we have passed to Big Lottery Fund.



**“Money from dormant bank and building society accounts makes a real difference to people's lives.”**

## MAINTAINING HIGH STANDARDS

In late 2015, HM Government put in place the independent Dormant Assets Commission, with the aim of identifying 'new pools of dormant assets' which will further bolster the funds available for distribution. RFL worked closely with the Commissioners throughout 2016 as they prepared a final report, which was published just after our year end in March 2017. We are pleased that the Commission has recognised that the existing Dormant Accounts Scheme as administered by RFL, has set a high standard in the management and distribution of dormant assets.

## HELPING DELIVER CHANGE

During 2016, our sixth year of operation, we have again witnessed the community benefit achieved throughout the UK as a result of the money that we have passed to Big Lottery Fund ('BLF'). At Enhancing Communities, the 2016 RFL event, we heard moving testimony as to how the funds are changing lives from a wide range of charities such as: Beat, which helps tackle eating disorders; Unforgettable, which works with individuals and families affected by dementia; and Heart & Sound, a free to use recording studio providing an artistic outlet to the young people of Dunfermline. These are just some of the many organisations that have benefited from the increased level of social investment enabled through the current scheme. As noted by the Chairman, we were pleased to be joined for the first time at the event by Rob Wilson, Minister for Civil Society; a further first was the filming of the event, an excerpt of which is available for viewing on the RFL website.

## OPERATIONAL INDEPENDENCE

2016 saw our first full year of operations following RFL's relocation to Crewe. Our strategy of increased operational independence is enabling RFL to develop our relationships with suppliers and will enhance our focus on cost effectiveness now that the necessary robust infrastructure has been put in place. RFL is also proud to confirm that during 2016 we received both the Living Wage and Silver Investors in People accreditations.

## INCREASED DISTRIBUTION

We continue to promote the Dormant Accounts Scheme across the financial sector, building on relationships with existing participants and encouraging others to join. The deposit rate of dormant balances remains steady, enabling us to transfer substantial amounts on a regular basis to BLF for onward distribution to good causes, while retaining sufficient funds to meet potential reclaims. In 2016 we are pleased to report that, as our understanding of reclaim rates has continued to develop, we have been able to increase fund distribution, including a one-off payment of £62 million in October 2016. This means we have now distributed over £360 million to BLF.

This increased distribution does not change our prudent approach to managing the fund and we continue to stress that we will never put at risk our ability to meet our reclaim obligations. With the exception of the additional payment in October, distributions in the year were made in line with the Company's existing policy. The total distributed in 2016 was £105 million compared with £37 million in 2015.

### RECLAIM RATE REVIEW

During 2016 we engaged a firm of consulting actuaries to support us in reappraising our understanding and knowledge of receipt and reclaim information. This was possible because of the growing volume of data accumulated over RFL's six years of operation. The work is relatively advanced and once complete we anticipate it will support us in ensuring that our distribution policy continues to maximise funds available for good causes while always holding sufficient reserves to meet reclaims in perpetuity.

In the autumn of 2016, I was pleased to work with my RFL Board colleagues in revisiting our strategic aims for the years ahead. We have a limited range of activities that we can undertake and so our ambition is to continue to do the things that we can do efficiently and professionally.

In summary, RFL has continued to deliver on its core responsibilities within the Dormant Accounts Scheme and further enhanced its operational resilience, while also contributing to the DAC's understanding of the statutory basis of the current scheme and the operational considerations that apply. This has all been achieved with a small team of people and I am grateful to all my colleagues for their absolute commitment to the organisation.

**ADRIAN SMITH**  
CHIEF EXECUTIVE

31 March 2017

## Key highlights from 2016

- Long standing and more recently joined participants continue to provide a steady flow of dormant balances, enabling us to transfer substantial amounts on a regular basis to Big Lottery Fund.
- Increased operational independence and robust infrastructure will enhance cost management focus following RFL's relocation to Crewe.
- Enhancing Communities 2016 heard moving testimony as to how the monies released are changing lives.
- We invested an additional £201 million in low risk bonds to minimise the impact of the reduction in the Bank of England base rate, and to further align the maturity profile of our assets to expected reclaims.
- We have welcomed working with the Dormant Assets Commission as they develop options for the future inclusion of other asset classes in an enhanced scheme.

# Business review

## PRINCIPAL ACTIVITIES

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

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

The strategy for the Company is aligned to the operational activities authorised by the Dormant Bank and Building Society Accounts Act 2008, which permits only those activities set down in the Act. Along with the activities above, the Company is permitted to invest funds and to defray administrative costs. The Board held a strategic review during October 2016, the outcomes of which confirmed RFL's ongoing compliance with the terms of the Act.

## REVIEW OF THE YEAR

During the year, the Company accepted £125.2m (2015: £131.3m) of dormant account monies from 12 of the 15 participating UK banks and building societies (2015: 10 of 12). Butterfield Bank, Consolidated Credit Bank and N. M. Rothschild joined the scheme in 2016 and transferred more than £150k to RFL. A number of reclaims from participants were received during the year, amounting to £13.2m (2015: £13.7m). Given the limited reclaim experience to date, provisioning for future reclaims has remained cautious, with additional provisions recorded in the year of £50.0m (2015: £52.5m).

The Company is run on a not-for-profit basis and, accordingly, profit after tax was £nil (2015: £nil). Net assets at the balance sheet date were £73.7m (2015: £73.7m). The only distributions the Company is permitted to make are to Big Lottery Fund in support of good causes.

In January 2016, a distribution of £10.2m was made to Big Lottery Fund. This was followed by £9.6m in April, £10.4m in July and £12.3m in October. In addition, an accelerated distribution payment of £62.2m was made in October taking the total distributions for the year to £104.7m (2015: £37.1m).

## Key performance indicators

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

### NON-FINANCIAL KPIs

#### PARTICIPANTS

Level of participation in the scheme by banks and building societies.

During the year, amounts were received in respect of dormant accounts from 12 of the 15 participating (2015: 10 of 12) banks and building societies.

#### STAKEHOLDERS

Agreements with outsourced service providers set service level standards on quality, cost and timeliness.

All outsourced services were provided to the Company at agreed costs and all services were delivered to standards set out in service level agreements.

#### PROCESSES

Compliance with regulations and contracts with external parties.

There were no breaches of any regulations or contracts with external parties during the year.

### FINANCIAL KPIs

#### FUNDS COMMITTED FROM PARTICIPANTS

2016

£125.2m

(2015: £131.3m)

In 2016, transfers are in line with forecast, taking total transfers since inception to more than £980m.

#### CAPITAL AND RESERVES

2016

£73.7m

(2015: £73.7m)

Within the Individual Capital Guidance set by the FCA.

#### DISTRIBUTIONS TO BIG LOTTERY FUND

2016

£104.7m

(2015: £37.1m)

With the exception of the additional distribution in October, distributions were made in line with the Company's distribution policy. This reflects the Company's cautious approach to distributing each transfer received over time.

#### LIQUIDITY - CASH HELD

2016

£297m

(2015: £488m)

Most of the cash is held with the Bank of England, providing a highly liquid, secure position. The reduction in liquid assets reflects the transfer of £201m into low risk bonds to offset the effect of the reduction in the Bank of England base rate.

#### INVESTMENT MANAGEMENT

2016

£272.3m

(2015: £73.1m)

Additional £201m invested in treasury bills, government agency bonds and corporate bonds.

#### COST MANAGEMENT

2016

£2.6m

(2015: £2.3m)

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

# Business review

## continued

## Risk management

### PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

### HOW THE COMPANY MANAGES RISK

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

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

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

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

### ENTERPRISE RISK MANAGEMENT

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

The principal risks facing the Company are:

#### 1. Reclaim risk

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

#### 2. Strategic and business risk

Strategic and business risk arises from changes to the Company's business, specifically the risk of not being able to carry out the business plan and desired strategy. In a broader sense, strategic risk is the Company's exposure to a wide range of macro-economic, geo-political, banking, regulatory and other external risks, particularly relating to dormant accounts. In a narrow sense, business risk is the risk that the Company suffers losses because income falls or is volatile relative to the fixed cost base.

### 3. Regulatory risk

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

The Company also monitors the following risks:

### 4. Operational risk

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

### 5. Liquidity and funding risk

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

### 6. Credit risk

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

### 7. Market risk

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

## FUTURE OUTLOOK

The Company continues to develop and maintain strong relationships with its participants and stakeholders and anticipates that participations will continue in 2017 and beyond. The Company is currently deepening its understanding of reclaim activity and behaviours in order to maximise distributions to Big Lottery Fund over the years ahead.

The Company may be affected by future decisions on the possible expansion of the Dormant Accounts Scheme. In this context, we welcome the recent DAC report and look forward to continuing engagement with stakeholders and the UK government as it considers the DAC recommendations.

By order of the Board

**ADRIAN SMITH**  
CHIEF EXECUTIVE

31 March 2017

# The Board

## Non-Executive Directors

### 1. JANE HANSON

*JP, BA (Hons), FCA*

#### CHAIRMAN

Jane joined the Board in 2011 and served as Chairman of the Audit and Risk Committee prior to being appointed as Board Chairman on 18 August 2014. A Fellow of the Institute of Chartered Accountants with over 25 years' experience in financial services. Jane is also a Non-Executive Director and Chairman of the Board Risk Committee at Direct Line Insurance Group plc and Independent Member of the Fairness Committee at ReAssure UK. She served as a Non-Executive Director and was Chairman of the Board Risk Committee at Old Mutual Wealth during the year to 2 November 2016. Her previous executive roles include Risk and Governance Director at Aviva's Life Business. Jane is also a Magistrate.

**N I R**

### 2. JAMES HARDIE

*MA (Hons), MBA*

#### NON-EXECUTIVE DIRECTOR

James joined the Board in 2015 as an independent Non-Executive Director and is Chairman of the Investment Committee. James is Director of Investment Management and Treasury at Direct Line Insurance Group plc and was until recently a Director of DLG Pension Trustee Ltd.

**A I**

### 3. ADRIAN COLES

*OBE, BA, MA*

#### SENIOR INDEPENDENT DIRECTOR

Adrian joined the Board in 2011 and was appointed Senior Independent Director on 5 December 2014. Adrian was Director General of the Building Societies Association between 1993 and 2013 and now holds a number of Chairmanships and Non-Executive Directorships. He is Chairman of the Housing Securities Ltd group, a member of the Financial Services Commission (Gibraltar), a Non-Executive Director of Progressive Building Society and a Non-Executive Director of BSA Pension Trustees Ltd. In August 2015, he was appointed as Chairman of the Fairer Finance Consumer Advisory Board. He has recently become a member of the Advisory Board of the Corporate Governance Research Group, launched by Cardiff Business School. Adrian was awarded an OBE in 2011 for services to financial services.

**R I N**

### 4. PAUL CHISNALL

*BA (Hons), Dip IoD*

#### NON-EXECUTIVE DIRECTOR

Paul joined the Board in 2011. He is an Executive Director of the British Bankers' Association ('BBA') and in this capacity headed up the BBA's preparatory work on dormant accounts and took part in the introduction of the 'mylostaccount' central tracing service. Paul also leads the BBA's work on corporate governance and professional standards.

**A N**

### 5. ROBERT NEWTON

*BSc, FIA, CDir*

#### NON-EXECUTIVE DIRECTOR

Robert joined the Board in 2010. He is an actuary and chartered director with over 40 years' experience in the financial services industry. His executive career included periods as chief executive of the general insurance businesses of General Accident (now part of Aviva) and NFU Mutual. He has also held a number of non-executive directorships and is currently Chairman of CIS General Insurance Ltd and Silentair Group Ltd.

**A**



## Executive Director

### 6. GLYN SMITH

MA, FCA

#### NON-EXECUTIVE DIRECTOR

Glyn joined the Board in 2015 as an independent Non-Executive Director and Chairman of the Audit and Risk Committee. A chartered accountant with over 35 years' experience in financial services, Glyn held senior executive positions at Barclays Bank and was Group Finance Director of Portman Building Society. He is currently a Non-Executive Director of The Co-operative Bank plc and FCO Services and chairs the Audit Committees at both organisations. He was formerly a Non-Executive Director of Domestic & General Group, Coventry Building Society and Stroud & Swindon Building Society and a member of the ICAEW examinations team.



### 8. ADRIAN SMITH

DipMS

#### CHIEF EXECUTIVE

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

### COMMITTEE MEMBERSHIP KEY

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

### 7. MARK SUMMERFIELD

BA (Hons)

#### NON-EXECUTIVE DIRECTOR

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

"I am grateful to my Board colleagues for their dedicated and professional stewardship of the business during the year."

JANE HANSON  
Chairman



# Corporate governance report

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

## ROLES AND RESPONSIBILITIES OF THE BOARD

To ensure the successful delivery of the Company's strategy, the Board and its Committees have been established with an appropriate balance of relevant skills, sector knowledge, experience, independence and diversity to enable the Directors to exercise their duties and responsibilities effectively. Following the Board changes introduced during 2015, the Board now believes that it has achieved an appropriate balance between continuity and refreshment and 2016 benefited from the additional skills and experience brought in by these 2015 appointments.

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

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

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

The Board manages these matters at its regular Board meetings. It met nine times in 2016 including one Board strategy review meeting.

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

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

The aggregate emoluments of the Directors of Reclaim Fund Ltd for the year were £447k (2015: £398k).

## BOARD MEETINGS

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

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

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

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

### Regular Board business

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

### Specific areas of focus

In addition to covering the regular business discussed above, Board meeting agendas develop in line with the Company's strategic priorities, regulatory trends and other external factors. A rolling agenda of items for Board consideration and approval is maintained and regularly updated. During 2016, the Board discussed, *inter alia*, the Company's reclaim policy, its distribution policy, its investment strategy, business continuity, cyber crime and information security, appropriate performance measures and corporate governance. The Board strategy review in October was facilitated by an external provider and focused on items of key strategic importance for the Company, including potential areas of growth, distribution and modelling.

## BOARD COMMITTEES

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

### Audit and Risk Committee (AARC)

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

During the year the AARC comprised:

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

The AARC met four times during 2016.

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

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

The AARC considered and recommended to the Board that the external auditor KPMG LLP be replaced by Ernst & Young LLP, following a competitive tender process carried out by the Company's ultimate parent Co-operative Group Ltd for the provision of external audit services. The AARC also reviewed the annual plans of the external auditors, the internal auditors and the Risk function and reviewed the effectiveness of the internal auditors.

In addition to the regular reports referred to above, the AARC considered current and projected risk and capital positions and reports on key risk areas both from management and external experts. It also conducted an annual review of participant agency agreements.

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

# Corporate governance report

## continued

### Investment Committee

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

During the year the Committee comprised:

- James Hardie (Chairman)
- Adrian Coles
- Jane Hanson

The Committee met four times during 2016.

The Investment Committee's activities during 2016 included reviewing the Company's liquidity profile, which in turn informed the implementation of a new investment strategy. The Committee also reviewed the performance and reporting of the Investment Manager and Custodian which, whilst considered to be of an acceptable standard resulted in more bespoke and tailored reporting.

### Remuneration Committee

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

During the year the Committee comprised:

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

The Committee met four times in 2016.

### 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 2016.

Directors	Full Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee	Investment Committee
Paul Chisnall	9 (9)	4 (4)	-	2 (2)	-
Adrian Coles	8 (9)	-	4 (4)	2 (2)	4 (4)
Jane Hanson	9 (9)	-	4 (4)	2 (2)	4 (4)
James Hardie	8 (9)	4 (4)	-	-	4 (4)
Robert Newton	8 (9)	4 (4)	-	-	-
Adrian Smith	9 (9)	-	-	-	-
Glyn Smith	8 (9)	4 (4)	4 (4)	-	-
Mark Summerfield	8 (9)	-	-	-	-

During the year, the Remuneration Committee focused on the 2016 performance and bonus frameworks and the framework for remuneration arrangements for the Chief Executive, Senior Management and employees, as well as the remuneration arrangements for the Chairman.

### Nomination Committee

The Nomination Committee leads the process for Board appointments, ensuring a rigorous search and selection process based on its evaluation of the balance of skills, knowledge and experience required on the Board. During the year the Committee also considered and approved the remuneration arrangements for Non-Executive Directors upon the recommendation of a sub-committee of the Nomination Committee, comprising the Chairman and Chief Executive constituted for that purpose.

The Nomination Committee met twice in 2016.

During the year, the Committee comprised:

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

## PROVISION OF ADVICE TO DIRECTORS

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

## TRAINING AND PROFESSIONAL DEVELOPMENT

The Chairman and the Board support the ongoing professional development of the Directors. During the year, the Directors attended a number of internal and external training sessions, both on an individual basis and in a meeting forum. Training sessions have been built into the Board and Committee agendas for 2017 based on the individual and collective requirements of the Board.

## BOARD AND BOARD COMMITTEE EVALUATION

The Board has agreed to undertake a review of its effectiveness and that of its Committees on a two-year cycle, with a high level review every two years and a completely independent review every four years. The Board and its Committees became fully populated during 2015 and the Board thus agreed to conduct a high level evaluation of the effectiveness of both the Board and its Committees towards the end of 2016.

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

## THE SECRETARY TO THE BOARD

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

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

## OWNERSHIP

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

## EXTERNAL AUDIT

The performance of the external auditors is regularly monitored by the AARC to ensure it meets the needs of the Company. In light of the recent change in external auditors, the next review will take place in 2017.

## INTERNAL AUDIT

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

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

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

Internal audit also acts as a source of constructive advice and best practice, assisting senior management with its responsibility to improve the processes by which business risks are identified and managed.

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

## THE LEADERSHIP TEAM

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

# Corporate governance report

## continued

### INTERNAL CONTROLS AND RISK MANAGEMENT FRAMEWORK

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

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

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

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

A high level evaluation of the effectiveness of internal audit was performed towards the end of 2016. This was undertaken through a questionnaire completed by all AARC members and standing attendees. The key findings of the review were presented to the AARC in November 2016 and note that the internal audit provided a good source of assurance for the AARC.

### GOING CONCERN AND VIABILITY STATEMENT

The Directors' confirmation that they have adopted the going concern basis in preparing the Annual Report and Accounts is set out on page 21.

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

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

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

The Directors have no reason to believe the current RFL operating model will not continue over the next three years, and as such, based on the results of this work, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

On behalf of the Board of Directors

**JANE HANSON**  
CHAIRMAN

*31 March 2017*

# Directors' report

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

The composition of the Board during the year is set out in the Corporate governance report on pages 16 to 20.

## Employees

During 2015, all staff working on a permanent basis for the Company underwent a Transfer of Undertakings Protection of Employment ('TUPE') exercise which resulted in their now being employed directly by RFL. Prior to this, all staff working on a full time basis for the Company were employed by CFS Management Services Limited ('CFMSML'), a fellow subsidiary of CBG. The average number of employees during 2016 was eight (2015: five).

## Diversity

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

## Annual Report and Accounts

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

A statement by the Directors as to their responsibilities for preparing the Annual Report and Accounts is included in the statement of Directors' responsibilities on page 22.

*The Directors of the Company during the year were:*

### Non-Executive Directors

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

### Executive Director

Adrian Smith

## Going concern

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

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

## Distributions

No dividend distributions were made to the parent company (CBG) as, under the Dormant Bank and Building Society Accounts Act 2008, no distributions can be made other than to Big Lottery Fund.

During the year £104.7m (2015: £37.1m) was paid to Big Lottery Fund for onward distribution to good causes across the UK.

## Charitable and political donations

No charitable or political donations were made during the year (2015: £nil).

## Matters covered in the Strategic report

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

## Auditors

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

By order of the Board

**ADRIAN SMITH**  
CHIEF EXECUTIVE

31 March 2017

Reclaim Fund Ltd, Registered number: 07344884

# Statement of Directors' responsibilities

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Annual Report and Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Annual Report and Accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

# Independent auditor's report

to the members of Reclaim Fund Ltd

We have audited the financial statements of Reclaim Fund Ltd for the year ended 31 December 2016 which comprise the Income statement, Statement of comprehensive income, Statement of financial position, the Statement of cash flow, the Statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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

## GILES WATSON (SENIOR STATUTORY AUDITOR)

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

Leeds

31 March 2017

The maintenance and integrity of the Reclaim Fund Ltd's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Income statement

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Amounts received in respect of dormant accounts	4	125,205	131,310
Interest income	5	3,904	3,590
Interest expense	5	(123)	(75)
<b>Net income</b>		<b>128,986</b>	<b>134,825</b>
Administrative expenses	3	(2,596)	(2,346)
Provision for reclaims of dormant account balances	12	(50,023)	(52,524)
<b>Operating result before distributions</b>		<b>76,367</b>	<b>79,955</b>
Provision for future distributions to Big Lottery Fund	13	(76,126)	(79,721)
<b>Profit before taxation</b>		<b>241</b>	<b>234</b>
Taxation	6	(241)	(234)
<b>Retained profit</b>	2	<b>-</b>	<b>-</b>

The notes on pages 29 to 43 form part of the Financial Statements.

# Statement of comprehensive income

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Retained profit for the financial year	2	-	-
Other comprehensive income for the year, net of taxation		-	-
<b>Total comprehensive income for the financial year</b>		<b>-</b>	<b>-</b>

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

The notes on pages 29 to 43 form part of the Financial Statements.

# Statement of financial position

as at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Assets</b>			
Intangible assets	7	23	37
Plant and equipment	8	152	217
Investment securities	9	272,257	73,135
Cash and cash equivalents	10	296,879	487,852
Trade and other receivables	11	100	98
<b>Total assets</b>		<b>569,411</b>	<b>561,339</b>
<b>Liabilities</b>			
Provision for reclaims of dormant account balances	12	342,162	305,362
Provision for future distributions to Big Lottery Fund	13	152,830	181,374
Amounts due to other Co-operative Banking Group undertakings	17	-	161
Trade and other payables	14	577	613
Current income tax liability		106	88
Deferred tax liability	6	23	28
<b>Total liabilities</b>		<b>495,698</b>	<b>487,626</b>
<b>Capital and reserves</b>			
Share capital (£100)	16	-	-
Capital reserve		73,713	73,713
<b>Total equity</b>		<b>73,713</b>	<b>73,713</b>
<b>Total liabilities and equity</b>		<b>569,411</b>	<b>561,339</b>

The notes on pages 29 to 43 form part of the Financial Statements.

Approved by the Board of Directors on 31 March 2017 and signed on its behalf by:

**ADRIAN SMITH**  
CHIEF EXECUTIVE

# Statement of cash flow

for the year ended 31 December 2016

	Notes	2016 £'000	Restated 2015 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		241	234
Adjustments:			
Amortisation of intangibles	7	16	9
Depreciation of plant and equipment	8	73	41
Increase in trade and other receivables		(2)	(36)
(Decrease)/increase in trade and other payables		(197)	168
Additional provision for reclaims of dormant account balances	12	50,023	52,524
Additional provision for future distributions to Big Lottery Fund	13	76,126	79,721
Interest amortisation	9	2,595	1,494
Interest received		(6,487)	(4,887)
Payments made in respect of participant reclaims	12	(13,223)	(13,694)
Distribution payments to Big Lottery Fund	13	(104,670)	(37,120)
Income tax paid		(228)	-
<b>Net cash flows from operating activities</b>		<b>4,267</b>	<b>78,454</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities	9	(201,398)	(2,974)
Interest received		6,168	4,827
Purchase of plant and equipment	8	(8)	(258)
Purchase of intangibles	7	(2)	(46)
<b>Net cash flows from investing activities</b>		<b>(195,240)</b>	<b>1,549</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(190,973)</b>	<b>80,003</b>
Cash and cash equivalents at the beginning of the financial year		487,852	407,849
<b>Cash and cash equivalents at the end of the financial year</b>	10	<b>296,879</b>	<b>487,852</b>

The notes on pages 29 to 43 form part of the Financial Statements.

# Statement of changes in equity

for the year ended 31 December 2016

	Share capital £'000	Capital reserve £'000	Total £'000
<b>2016</b>			
Balance at the beginning of the financial year	-	73,713	73,713
Total comprehensive income for the financial year	-	-	-
Balance at the end of the financial year	-	73,713	73,713
<b>2015</b>			
Balance at the beginning of the financial year	-	73,713	73,713
Total comprehensive income for the financial year	-	-	-
Balance at the end of the financial year	-	73,713	73,713

The notes on pages 29 to 43 form part of the Financial Statements.

# Notes to the Company financial statements

for the year ended 31 December 2016

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

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

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

The 31 December 2015 Statement of cash flow has been restated to present the payments made to BLF separately and to remove the movement in accrued interest balance. The distribution payment to Big Lottery Fund of £37.1m in 2015 was previously netted into the 'Additional provision for future distributions to Big Lottery Fund' and the movement in accrued interest is now included within the interest received balance. This is in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. These restatements have no impact on net cash flows from operating activities or the net change in cash and cash equivalents. There is no impact on the other Primary Statements, or the notes to the financial statements.

### Standards and interpretations issued and effective

In preparing this Annual Report and Accounts, the Company has adopted the following standards and interpretations that are new or revised and became effective during the year:

- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation', issued May 2014 and effective for financial years beginning on or after 1 January 2016. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation being the expected pattern of consumption of the future economic benefits of an asset. This amendment provides clarification that the use of certain revenue based methods to calculate depreciation is not appropriate.

The impact of the above changes on the financial statements is not deemed significant.

### Standards and interpretations not endorsed or not yet effective

The following IASB pronouncements are relevant to RFL but were not available for adoption in the EU and have not been applied by RFL in the 31 December 2016 reporting year. The impact of these pronouncements is still being assessed by RFL. Except where otherwise stated, RFL does not expect that the adoption of the following standards, amendments to standards and interpretations will have a material impact on the financial statements:

- IFRS 9 'Financial Instruments', issued in July 2014 and effective for financial years beginning on or after 1 January 2018. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement' and contains new requirements for the classification and measurement of financial assets and liabilities, the recognition of impairment, and hedge accounting. This standard is expected to have a limited impact on the Company as no assets are currently held as Available for Sale.
- IFRS 16 'Leases' issued on 13 January 2016 and effective for financial years beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and will result in most leases being brought onto a lessee's balance sheet under a single lease model, removing the distinction between finance and operating leases. The standard requires lessees to recognise a right of use assets and a liability for future payments arising from a lease contract.

### Going concern

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

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

# Notes to the Company financial statements continued

for the year ended 31 December 2016

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### Use of estimates and judgments

The preparation of the Annual Report and Accounts requires the Directors to make judgments, 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.

Information about significant areas of critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the Annual Report and Accounts are described below.

Significant areas of judgment that have the most effect on the amounts recognised in the Annual Report and Accounts relate to the provisions, in particular provisions for reclaims of dormant account balances of £342.2m (2015: £305.4m) and the provision for future distributions to Big Lottery Fund of £152.8m (2015: £181.4m). These are discussed further below.

### Provision for reclaims of dormant account balances

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

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

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

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

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

For every 1% increase in the provision for reclaims of dormant account balances, the impact on the operating result before distributions would be a reduction of £9.8m (2015: £8.6m).

### Provision for future distributions to Big Lottery Fund

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

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

Not all the surplus funds are paid over to Big Lottery Fund immediately, and the exact timings of these future payments are uncertain and depend on the value and timing of reclaims made.

### Revenue recognition

#### (i) Amounts received in respect of dormant accounts

Amounts received in respect of dormant accounts represent receipts, from other UK based financial institutions, of dormant account monies and are recognised in accordance with IAS 18 'Revenue' where there is a probability that future economic benefits will flow to the Company and these benefits can be measured reliably.

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### (ii) Interest income

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

### Provisions

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

### Taxation

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

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

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

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

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

### Cash and cash equivalents

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

### Investment securities

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

### Impairment of financial assets

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

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

# Notes to the Company financial statements continued

for the year ended 31 December 2016

## **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.

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

### **Leases**

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

### **Intangible assets**

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

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

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

### **Plant and equipment**

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

Fixtures and fittings – five years  
Computer hardware – three years

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

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

## 2. RETAINED PROFIT

	2016 £'000	2015 £'000
Retained profit for the year is stated after charging:		
Auditor's remuneration		
– audit of these financial statements	38	30
– non-audit services – taxation compliance services	10	9

Non-audit services in 2015 and 2016 comprise services provided by the previous auditor KPMG LLP until the point of their resignation in 2016. Audit fees incurred in 2015 relate to the 2015 Annual Report and Accounts which was not audited by Ernst & Young LLP.

## 3. ADMINISTRATIVE EXPENSES

A portion of the 2015 administrative expenses include costs incurred for the services of CFSMSL, a fellow subsidiary of Co-operative Banking Group Ltd. These costs include an amount for individuals who worked on a full time basis for the Company prior to the TUPE exercise, which resulted in their now being employed directly by the Company. The average number of employees during 2016 was eight (2015: five).

A breakdown of the administrative expenses for 2016 and 2015 is shown in the table below:

	2016 £'000	Restated <sup>1</sup> 2015 £'000
Staff costs		
– Wages and salaries	825	777
– Social security costs	111	82
– Pension costs	49	45
	985	904
Shared services	–	89
Professional services	804	422
Investment management fees	307	152
Operating model review expenses	–	349
FCA/BBA fees and FSCS levies	41	114
IT and communication costs	113	37
Premises costs	100	91
Miscellaneous expenses	158	138
Depreciation and amortisation	88	50
	2,596	2,346

<sup>1</sup> To enhance the reporting of RFLs administrative expenses, 2015 comparatives have been restated to disclose separately investment management fees, depreciation and amortisation. Miscellaneous expenses now includes travel and meeting costs that were previously included in staff costs.

Professional services costs include fees incurred in supporting the Dormant Assets Commission's understanding of RFL's role in the Dormant Assets Scheme; this has included the legal underpinnings of the scheme and the legislation that support it.

# Notes to the Company financial statements continued

for the year ended 31 December 2016

### 3. ADMINISTRATIVE EXPENSES continued

#### Financial Services Compensation Scheme ('FSCS') levies

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

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

#### Directors' emoluments

Details of the aggregate Directors' emoluments for the years ended 31 December 2016 and 31 December 2015 are shown below.

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

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

  

Year ended 31 December 2015	Basic salary £'000	Performance related pay <sup>1</sup> £'000	Pension contributions <sup>3</sup> £'000	Benefits in kind <sup>4</sup> £'000	Total emoluments £'000
Non-Executive Directors	150	–	–	16	166
Executive Director <sup>2</sup>	154	53	17	8	232
	304	53	17	24	398

1 Performance related pay refers to estimated bonus amounts earned based on financial and non-financial performance targets.

2 This represents emoluments of the highest paid Director of £240k (2015: £232k).

3 During the year one Director (2015: one) was a member of a money purchase pension scheme.

4 Benefits in kind are in respect of car allowances for the Executive Director, and travel, accommodation and subsistence for Non-Executive Directors for which PAYE and NIC due is included. Similar amounts of taxable benefits have also been identified in respect of the 2012 to 2014 financial years of £10k which have not previously been included in the respective accounts but are noted here following HMRC's clarification of the definition of the Directors' permanent place of employment.

#### 4. AMOUNTS RECEIVED IN RESPECT OF DORMANT ACCOUNTS

During the year, £125.2m (2015: £131.3m) was received in respect of dormant accounts funds. A detailed analysis of receipts by participants is provided below:

Participant	2016 £'000	2015 £'000
Barclays Bank PLC	22,362	24,292
Butterfield Bank (UK) Limited	8	-
Consolidated Credit Bank Limited	53	-
Clydesdale Bank PLC	-	22,239
The Co-operative Bank plc	1,140	1,419
Danske Bank	353	233
HSBC Bank plc	6,988	5,457
Lloyds Banking Group		
Lloyds Bank plc	10,559	6,249
Bank of Scotland plc	31,759	19,152
Nationwide Building Society	1,185	4,878
N. M. Rothschild & Sons Limited	90	-
Royal Bank of Scotland		
Adam & Company plc	-	2
Coutts & Co	129	5
National Westminster Bank plc	12,985	21,316
The Royal Bank of Scotland plc	2,040	7,043
Ulster Bank Limited	-	1,527
Santander UK plc	32,355	12,299
Virgin Money plc	3,199	5,199
	125,205	131,310

#### 5. INTEREST INCOME AND EXPENSE

	2016 £'000	2015 £'000
Interest income:		
On investment securities	2,328	1,422
On cash deposits	1,576	2,168
	3,904	3,590
Interest expense	123	75

# Notes to the Company financial statements continued

for the year ended 31 December 2016

## 6. TAXATION

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

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

	2016 £'000	2015 £'000
<b>Current tax</b>		
UK corporation tax at 20% (2015: 20.25%)	256	88
Adjustments in respect of current income tax of previous year	(10)	-
	246	88
<b>Deferred tax</b>		
Current tax (credit)/charge	(14)	28
Adjustments in respect of current income tax of previous year	9	-
Utilisation of prior year tax losses	-	118
	(5)	146
<b>Total charge for the financial year</b>	<b>241</b>	<b>234</b>
	2016 £'000	2015 £'000
<b>Reconciliation of effective tax rate</b>		
Profit before tax	241	234
UK corporation tax at 20% (2015: 20.25%)	48	47
Non-taxable income	(25,041)	(26,590)
Disallowable provision for reclaim repayments	10,005	10,636
Disallowable payments and provision for future distributions to Big Lottery Fund	15,226	16,140
Losses brought forward utilised in year	-	(118)
Expenses not deductible for tax purposes	3	3
Fixed asset timing differences	15	(30)
Prior year adjustment - current tax	(10)	-
Prior year adjustment - deferred tax	9	-
Deferred tax change in rate	(2)	
Movement in deferred tax	(12)	146
<b>Total tax charge for the financial year</b>	<b>241</b>	<b>234</b>

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

**6. TAXATION** continued**Deferred tax asset**

	2016 £'000	2015 £'000
At the beginning of the financial year	-	118
Release in the year	-	(118)
At the end of the financial year	-	-

A deferred tax asset was recognised in 2013, in respect of the tax losses created from the initial set up costs of the Company. The asset was fully utilised in 2015 with a subsequent current tax liability being recognised in 2015.

**Deferred tax liability**

	2016 £'000	2015 £'000
At the beginning of the financial year	28	-
Adjustments in respect of deferred tax of previous year	9	-
Impact of change in UK tax rate	(2)	-
Income statement (release)/charge in the year	(12)	28
At the end of the financial year	23	28

**7. INTANGIBLE ASSETS - COMPUTER SOFTWARE**

	2016 £'000
<b>Cost</b>	
Opening balance at 1 January 2016	46
Additions	2
<b>Closing balance at 31 December 2016</b>	<b>48</b>
<b>Amortisation</b>	
Opening balance at 1 January 2016	9
Amortisation charge	16
<b>Closing balance at 31 December 2016</b>	<b>25</b>
<b>Carrying amount</b>	
Opening balance at 1 January 2016	37
<b>Closing balance at 31 December 2016</b>	<b>23</b>

# Notes to the Company financial statements continued

for the year ended 31 December 2016

## 8. PLANT AND EQUIPMENT

	Fixtures & fittings £'000	Computer hardware £'000	Total £'000
<b>Cost</b>			
Opening balance at 1 January 2016	111	147	258
Additions	-	8	8
Closing balance at 31 December 2016	111	155	266
<b>Depreciation</b>			
Opening balance at 1 January 2016	13	28	41
Depreciation charge	23	50	73
Closing balance at 31 December 2016	36	78	114
<b>Carrying amount</b>			
Opening balance at 1 January 2016	98	119	217
Closing balance at 31 December 2016	75	77	152

## 9. INVESTMENT SECURITIES

The movement in investment securities is summarised as follows:

	2016 £'000	2015 £'000
<b>Held to maturity</b>		
Listed government, government agency securities and corporate bonds	272,257	73,135
	272,257	73,135
<b>At the beginning of the year</b>		
At the beginning of the year	73,135	71,595
Acquisitions	201,398	2,974
Unwind of premiums	(2,595)	(1,494)
Unwind of accrued interest	(2,552)	(1,277)
Accrued interest	2,871	1,337
Carrying value	272,257	73,135

The carrying value of financial instruments measured at amortised cost is determined in compliance with the accounting policies on pages 29 to 32.

## 9. INVESTMENT SECURITIES continued

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
<b>2016</b>		
Investment securities	272,257	274,824
<b>2015</b>		
Investment securities	73,135	72,906

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

### Valuation hierarchy

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

During 2016 the company invested an additional £200.6m in low risk bonds to minimise the impact of a reduction in the Bank of England base rate.

Of the total investment securities held, £35.2m is due to mature in less than 12 months from the reporting date.

## 10. CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
Cash and cash equivalents	296,879	487,852

Cash and cash equivalents comprise £292.5m (2015: £483.2m) held with the Bank of England, £0.3m (2015: £3.7m) with HSBC Bank plc and £4.1m (2015: £1.0m) held with the investment manager. The carrying value of cash and cash equivalents equates to fair value.

## 11. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Prepayments and accrued income	100	98

# Notes to the Company financial statements continued

for the year ended 31 December 2016

## 12. PROVISION FOR RECLAIMS OF DORMANT ACCOUNT BALANCES

	2016 £'000	2015 £'000
At the beginning of the year	305,362	266,532
Additional provision created in the year	50,023	52,524
Utilised in the year	(13,223)	(13,694)
At the end of the year	342,162	305,362

During the year, £13.2m (2015: £13.7m) of the provision for reclaims of dormant account balances was utilised. The table below shows the total value of reclaims, categorised by the participants at which the individual's account was previously held:

Participant	2016 £'000	2015 £'000
Barclays Bank PLC	2,023	1,651
Clydesdale Bank PLC	68	-
The Co-operative Bank plc	191	214
Danske Bank	32	37
HSBC Bank plc	600	1,243
Lloyds Banking Group		
Lloyds Bank plc	751	2,247
Bank of Scotland plc	3,869	2,994
Nationwide Building Society	318	144
Royal Bank of Scotland		
Adam & Company plc	1	-
National Westminster Bank plc	516	163
The Royal Bank of Scotland plc	167	1
Ulster Bank Limited	-	105
Santander UK plc	3,261	3,193
TSB Bank plc	330	1,240
Virgin Money plc	1,096	462
	13,223	13,694

### 13. PROVISION FOR FUTURE DISTRIBUTIONS TO BIG LOTTERY FUND

	2016 £'000	2015 £'000
At the beginning of the year	181,374	138,773
Additional provision created in the year	76,126	79,721
Utilised in the year	(104,670)	(37,120)
At the end of the year	152,830	181,374

During the year, £104.7m (2015: £37.1m) surplus funds were distributed to Big Lottery Fund.

### 14. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Accrued expenses	577	613

### 15. PARENT UNDERTAKING

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

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

### 16. SHARE CAPITAL

	2016 £	2015 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

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

# Notes to the Company financial statements continued

for the year ended 31 December 2016

## 17. RELATED PARTY TRANSACTIONS

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

A number of transactions have been entered into during 2016 and 2015 with related parties. These transactions have been undertaken with the following Co-operative Banking Group and associate undertakings:

### Co-operative Banking Group undertakings

CFS Management Services Limited ('CFMSML')

### Associate undertakings

The Co-operative Bank plc

	2016 £'000	2015 £'000
Transactions taking place in the year with related parties		
Co-operative Banking Group undertakings:		
Administrative expenses	-	1,170
Associate undertakings:		
Amounts received in respect of dormant accounts	1,140	1,419
Amounts paid in respect of reclaims	191	214
At the balance sheet date, related party balances:		
Co-operative Banking Group undertakings:		
Trade and other payables	-	161

All transactions are conducted on an arm's length basis under standard commercial terms. Expenses incurred in 2015 are recharged at cost. Some of the administrative expenses in 2015 are costs incurred by CFMSML, a Co-operative Banking Group service company, which are subsequently recharged to RFL.

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

Glyn Smith was appointed as a Non-Executive Director of The Co-operative Bank plc on 10 October 2016.

## 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.

## 18. RISK MANAGEMENT continued

### 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 (£292.5m, 2015: £483.2m), HSBC Bank PLC (£0.3m, 2015: £3.7m) and the investment manager (£4.1m, 2015: £1.0m). The Company considers its credit risk on cash deposits to be minimal.

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

The maximum exposure to credit risk at the balance sheet date is £569.1m (2015: £561.0m), being £296.9m cash deposits and £272.2m investments (2015: £487.9m cash deposits and £73.1m investments).

### Market risk

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

## 19. CAPITAL MANAGEMENT

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

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

The Company's capital resources are its capital and reserves of £73.7m (2015: £73.7m).

## 20. COMMITMENTS

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

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

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

	2016 £'000	2015 £'000
Within 1 year	43	43
Later than 1 year and not later than 5 years	86	129
Later than 5 years	-	-
	129	172

The amount of operating lease income recognised in the income statement is £nil (2015: £nil).

# Participating banks and building societies

Participant	Dormant account monies received from participants		Reclaims paid to participants	
	2016 £'000	Since inception £'000	2016 £'000	Since inception £'000
Barclays Bank PLC	22,362	177,756	2,023	7,805
Butterfield Bank (UK) Limited	8	8	-	-
Commonwealth Bank of Australia – London branch	-	4	-	-
Consolidated Credit Bank Limited	53	53	-	-
Clydesdale Bank PLC	-	22,239	68	68
The Co-operative Bank plc	1,140	12,206	191	792
Danske Bank	353	5,342	32	204
HSBC Bank plc	6,988	54,276	600	2,046
Lloyds Banking Group				
Lloyds Bank plc	10,559	187,187	751	5,115
Bank of Scotland plc	31,759	129,174	3,869	8,274
Nationwide Building Society	1,185	52,502	318	724
N. M. Rothschild & Sons Limited	90	90	-	-
Royal Bank of Scotland				
Adam & Company plc	-	14	1	1
Coutts & Co	129	1,492	-	-
National Westminster Bank plc	12,985	96,058	516	1,379
The Royal Bank of Scotland plc	2,040	23,993	167	168
Ulster Bank Limited	-	6,054	-	105
Santander UK plc	32,355	182,481	3,261	17,253
TSB Bank plc	-	12,354	330	3,738
Virgin Money plc	3,199	17,476	1,096	2,408
	<b>125,205</b>	<b>980,759</b>	<b>13,223</b>	<b>50,080</b>

# Company information and advisors

## COMPANY INFORMATION

Reclaim Fund Ltd  
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