



Governance

INTRODUCING OUR BOARD

A DILIGENT, KNOWLEDGEABLE AND RESPONSIBLE BOARD OF DIRECTORS



OUR COMMITTEES AND COMMITTEE CHAIRS

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

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

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

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

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



Find out more on page 24

GOVERNANCE FRAMEWORK BOARD OF DIRECTORS

Audit and Risk Committee

The Audit and Risk Committee is chaired by Glyn Smith.

Investment Committee

The Investment Committee is chaired by James Hardie.

Nomination Committee

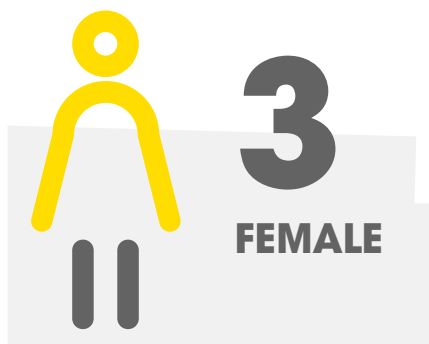
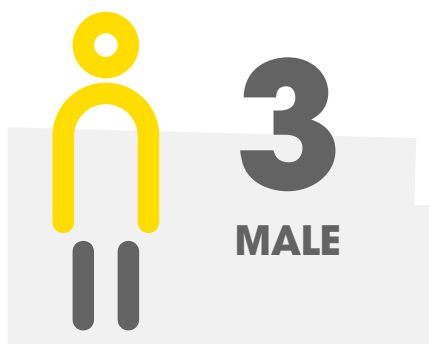
The Nomination Committee is chaired by Jane Hanson.

Remuneration Committee

The Remuneration Committee is chaired by Jenny Watson.

THE BOARD

BOARD COMPOSITION



COMMITTEE MEMBERSHIP KEY

- Committee chair
- A Audit and risk committee
- I Investment committee
- N Nomination committee
- R Remuneration committee

1 JANE HANSON JP, BA (Hons), FCA Chair

Appointed: 7 October 2011
Experience: Jane joined the Board in 2011 and served as Chair of the Audit and Risk Committee prior to being appointed as Board Chair on 18 August 2014. A Fellow of the Institute of Chartered Accountants with over 25 years' experience in financial services. Jane is also a Non-Executive Director and Chair of the Board Risk Committee at Direct Line Insurance Group plc, Non-Executive Director of William Hill plc, Welsh Water plc and Rothesay Life plc. Jane is also the Honorary Treasurer at the Disasters Emergency Committee. Her previous executive roles include Risk and Governance Director at Aviva plc. Jane is also a Magistrate.
Committees: N R

2 ADRIAN SMITH MBA Chief Executive

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

3 KATHERINE GARNER BSC (HONS), FIA Non-Executive Director

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

4 JAMES HARDIE MA (HONS), MBA Non-Executive Director

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

5 GLYN SMITH MA, FCA Senior Independent Director

Appointed: 4 February 2015
Experience: Glyn joined the Board in February 2015 and was appointed Senior Independent Director in 2020. He is also Chair of the Audit and Risk Committee. A chartered accountant with over 40 years' experience in financial services, Glyn held a number of senior executive positions at Barclays Bank and was Group Finance Director of Portman Building Society. He is currently also a Non-Executive Director and Chair of the Audit Committee of The Co-operative Bank plc and Chair of the West Bromwich Building Society Pension Trustees. He has held a number of public and private sector Non-Executive Directorships, including Domestic & General Group, Coventry Building Society, Stroud & Swindon Building Society, FCO Services and Covent Garden Market Authority.
Committees: A N R

6 JENNY WATSON CBE, BA, MA Non-Executive Director

Appointed: 3 January 2019
Experience: Jenny joined the Board in 2019. She is Chair of the House of St. Barnabas, a social purpose business in London's Soho and of GAMSTOP. A previous Chair of the Electoral Commission and Equal Opportunities Commission, she started her early career in the not for profit sector. She is currently a Non-Executive Director on the Board of the Financial Reporting Council.
Committees: A N R



JANE HANSON
Chair



ADRIAN SMITH
Chief Executive



KATHERINE GARNER
Non-Executive Director



JAMES HARDIE
Non-Executive Director



GLYN SMITH
Senior Independent Director



JENNY WATSON
Non-Executive Director

CORPORATE GOVERNANCE REPORT

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

In 2019 an independent review highlighted that the RFL Board operated effectively with a highly skilled board of Directors, ably led by the Chair. The review also emphasised that the Committees were well run, with experienced Chairs and that staff were capable, led by a committed Chief Executive. Some minor improvements were recommended and in 2020 the Company's Chief Risk Officer commenced a review of the Company's governance arrangements, which was presented to the Board in early 2021. The purpose of the review is to enhance, improve and streamline current governance arrangements without jeopardising the strong governance that is currently in place. Further refinements to our governance arrangements will be made as part of the transition to our new owners.

ROLES AND RESPONSIBILITIES OF THE BOARD

To ensure the successful delivery of the Company's strategy, the Board and its Committees have been established with an appropriate balance of relevant skills, sector knowledge, experience, independence and diversity to enable the Directors to exercise their duties and responsibilities effectively. The Board currently includes three female Directors (50%), and remains committed to furthering its skills and diversity.

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

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

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

The Board manages these matters at its regular Board meetings. It met seven times during 2020.

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

This year saw the retirement of Adrian Coles from the Board. He served as Senior Independent Director, a post he had held since December 2014. We are grateful to Adrian for his valuable contribution over the past ten years. Glyn Smith was subsequently appointed as the Senior Independent Director in October 2020 and 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.

Mark Summerfield also left the Board in 2020. Mark joined the Board in April 2015 as a shareholder appointed Non-Executive Director. We are grateful to have benefited from his considerable skills and experience over the last five years. Following the sale of RFL to HMT in March 2021, Dominic Kendal-Ward, a shareholder appointed Non-Executive Director also left the Board. We were also grateful to have benefited from his knowledge and expertise as we transitioned to our new owner.

The aggregate emoluments of the Directors of Reclaim Fund Ltd for the year were £445k (2019: £512k). The reduction follows a period of overlap of retiring and joining Non-Executive Directors in 2019.

BOARD MEETINGS

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

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

There is regular communication between the Directors, the Chair, the Chief Executive and the Company Secretary between meetings. In light of the move to remote working and the restrictions on travel due to the COVID-19 pandemic during 2020, the majority of the Board and Committee meetings were held remotely, via video conference, which has proved to be successful.

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

REGULAR BOARD BUSINESS

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 Chairs of the four Board Committees (Audit and Risk, Investment, Nomination and Remuneration) also present a summary of issues raised, decisions made, and recommendations proposed at recent Committee meetings. These are noted and discussed further by the Board as required.

SPECIFIC AREAS OF FOCUS

In addition to covering the regular business discussed above, Board meeting agendas are developed in line with the Company's strategic priorities, regulatory trends and other external factors. A rolling agenda of items for Board consideration and approval is maintained and regularly updated.

During 2020, the COVID-19 pandemic was a key focus for the Board, together with the related impact on not only the Company's investments but also the Company's employees and other stakeholders, including the wellbeing of the workforce following the move to remote-working. A direct consequence of the COVID-19 pandemic was the decision to accelerate the approval of the 2020 distribution to the National Lottery Community Fund. This decision was made as the Board thought it important to provide what support it could to the national effort to provide urgently needed funding to the voluntary sector in response to the COVID-19 pandemic.

During the year, there has been considerable focus on the development of the Company's communications strategy which has seen a re-launch of our website and an increase in our social media presence. The Company provided its own response to the public consultation on the proposed expansion of the Dormant Assets Scheme to which the Government published its response in early 2021. The Board is proud to be named as the Scheme's only intended authorised reclaim fund.

In addition, the Board discussed, *inter alia*, new investment opportunities, the new ownership model, the Company's reclaim provisioning policy, risk management and governance matters, a post-implementation review of the new IT system, policies and procedures, appropriate performance measures and corporate governance. As the Board is committed to environmental considerations, it is also monitoring any climate-related disclosures it may consider appropriate or desirable to make, although it is currently excluded from any obligations to do so either under the Code or FCA requirements.

BOARD COMMITTEES

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

AUDIT AND RISK COMMITTEE ('AARC')

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

During the year the AARC comprised:

- Glyn Smith (Chair)
- Katherine Garner
- James Hardie
- Jenny Watson

The AARC met five times during 2020.

At each meeting, the AARC received reports from the Chief Risk Officer and the internal auditors, including reports on individual audits undertaken. These reports informed the Committee's views when considering the annual assessment of the adequacy of the Company's systems of internal control. As in previous years, the AARC reviewed the Annual Report and Accounts in detail, together with the external auditor's report thereon. The AARC paid particular attention to process and control issues and considered key areas of accounting judgement, with particular emphasis on the provision for reclaims of dormant account balances. The Committee also considered the Going Concern and Viability Statement assessment and reviewed the impact of the new accounting standard for leases. The AARC also considered the impact of the COVID-19 pandemic and the possible longevity of risks associated with it.

CORPORATE GOVERNANCE REPORT continued

AUDIT AND RISK COMMITTEE ('AARC')

continued

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

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

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

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

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 (Chair)
- Adrian Coles (until 30 September 2020)
- Katherine Garner
- Adrian Smith (from 6 April 2020)

The Committee met nine times during 2020. This was more frequent than in 2019, as the Committee deemed it necessary in order to closely monitor the evolving economic situation arising due to the COVID-19 pandemic.

During the year, the Investment Committee's activities also included consideration of the potential impact of Brexit, the possibility of negative interest rates, and credit ratings. It also regularly reviewed the performance and reporting of the Investment Manager. Early in the year the Board approved the Committee's recommendation for a further £50m investment with the Investment Manager although, in light of the economic uncertainties following the emergence of the COVID-19 pandemic, only a small portion of this sum was invested, with the remainder being held in cash until there was less economic uncertainty.

NOMINATION COMMITTEE

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

During the year the Committee comprised:

- Jane Hanson (Chair)
- Adrian Coles (until 30 September 2020)
- Glyn Smith
- Jenny Watson (from 19 February 2020)

The Committee did not meet in 2020. It was considered important for the whole Board to consider changes to Committee membership and the extension of Board tenure, and these were duly addressed by the whole Board this year.

REMUNERATION COMMITTEE

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

During the year the Committee comprised:

- Adrian Coles (Chair) (until 23 April 2020)
- Jane Hanson
- Glyn Smith
- Jenny Watson (Chair) (from 23 April 2020)

The Committee met four times during 2020.

During the year, the Remuneration Committee reviewed the 2020 performance and bonus awards for the Chief Executive, senior management and employees and continued its work on reviewing the framework for the employee bonus scheme, taking into consideration the COVID-19 pandemic and the anticipated impact on the Company's business.

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 2020.

Directors	Full Board	AARC	Investment Committee	Nomination Committee	Remuneration Committee
Adrian Coles	5 (5)	-	8 (8)	-	3 (3)
Katherine Garner	7 (7)	5 (5)	9 (9)	-	-
Jane Hanson	7 (7)	-	-	-	4 (4)
James Hardie	7 (7)	5 (5)	8 (9)	-	-
Dominic Kendal-Ward	5 (7)	-	-	-	-
Adrian Smith	7 (7)	-	7 (7)	-	-
Glyn Smith	7 (7)	5 (5)	-	-	4 (4)
Mark Summerfield	7 (7)	-	-	-	-
Jenny Watson	7 (7)	5 (5)	-	-	4 (4)

PROVISION OF ADVICE TO DIRECTORS

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

TRAINING AND PROFESSIONAL DEVELOPMENT

The Chair and the Board actively encourage the ongoing professional development of the Directors. Training sessions had also been built into the Board and Committee agendas for 2020 but, given that the first planned training day coincided with the start of the COVID-19 pandemic in the UK, it was decided to postpone this session. A training session on cyber security was held in November. Further training sessions (including on the development of expanded dormant assets) are planned for 2021.

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, alternating between a high level review and a full independent review, both of which are completed every four years.

An independent review was carried out in 2019 and, in early 2020, Independent Audit formally presented its findings to the Board, concluding that the RFL Board operated effectively with a highly skilled Board, ably led by the Chair.

The Board continues to review and monitor its effectiveness and to consider the minor areas the report suggested for improvement, such as simplification of our governance arrangements. The Board intends to run a self-evaluation review in 2021.

THE SECRETARY TO THE BOARD

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

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

OWNERSHIP

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

EXTERNAL AUDIT

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

RFL has a non-audit work policy that establishes the principles by which it is able to appoint the external and internal auditors for non-audit services. The policy also establishes a framework governing the process by which non-audit services are approved. The AARC reviews this policy on a triennial basis and it is due for review in 2021. No non-audit services were provided by the external auditors during 2020.

INTERNAL AUDIT

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

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

Deloitte LLP provided internal audit services to the Company throughout the year and prepared a report on the governance arrangements under the new remote working regime.

CORPORATE GOVERNANCE REPORT continued

INTERNAL AUDIT continued

The AARC carries out a formal review of the effectiveness of the outsourced internal audit function every two years. The next formal review of the internal audit function will be conducted in 2021 and, as such, no formal review was carried out in 2020. Internal audit also acts as a source of constructive advice and best practice, assisting senior management with its responsibility to improve the processes by which business risks are identified and managed.

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

THE LEADERSHIP TEAM

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

INTERNAL CONTROLS AND RISK MANAGEMENT FRAMEWORK

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

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

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

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

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 31.

In addition to performing a review of the going concern status of the Company, the Directors have also, in the spirit of the Corporate Governance Code, assessed its prospects over the period to 31 December 2023.

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

Liquidity and capital management forecasting are a key part of the risk management framework of RFL and incorporate stress and scenario tests designed to produce a comprehensive assessment of current and projected liquidity and capital positions. The process assists RFL in evaluating, over the period to 31 December 2023, the key known risks to which it is exposed and the levels of capital and other financial resources that should be maintained to safeguard the liquidity and capital positions of the business at all times, including during a stress scenario. Realistic scenarios are developed with actuarial support whereby plausible economic, regulatory, and technological developments are modelled to reflect a substantial fall in transfers into the Scheme and an increase in reclaim rates. As part of the stress testing the scenarios take into consideration amounts already committed for distribution by RFL, and consider the

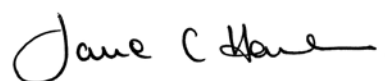
additional costs of administering such large reclaims. Additionally, noting the impact of COVID-19 on businesses generally, consideration was given to a possible increase in reclaim rates due to the potential financial impacts of COVID-19 causing account holders to seek their lost funds. A reverse stress test exercise was also performed. This test involved an assessment of the extent to which reclaim rates would need to increase before the Company would be unable to meet liabilities as they fall due. The Directors concluded that the likelihood of such a scenario occurring was extremely remote.

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

The Board has also considered the legal form of the Company over the assessment period in light of the change in ownership. Late in September 2019, the ONS classified RFL as a NDPB for the purposes of statistical analysis, with ownership of RFL passing to HMT on 30 March 2021. The Board has received correspondence from the Economic Secretary to the Treasury of HMT's intention for RFL to remain operationally independent under its new status. The Board is therefore confident that its discretion as regards the timing and amount of distributions will remain unchanged.

Based on the 2020 results of the liquidity and capital management forecasting, and the assessment of the Company's legal form, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023.

On behalf of the Board of Directors



JANE HANSON
Chair

20 April 2021

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 24 and 25.

EMPLOYEES

The average number of employees during 2020 was ten (2019: ten).

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

FINANCIAL INSTRUMENTS

Financial risk management objectives can be found in the Risk Management note to the Financial Statements on page 55.

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 32.

The Directors of the Company during the year were:

NON-EXECUTIVE DIRECTORS

Jane Hanson (Chair)
 Adrian Coles (Senior Independent Director, resigned 30 September 2020)
 Katherine Garner
 James Hardie
 Dominic Kendal-Ward (resigned 30 March 2021)
 Glyn Smith (appointed Senior Independent Director 23 April 2020)
 Mark Summerfield (resigned 2 December 2020)
 Jenny Watson

EXECUTIVE DIRECTOR

Adrian Smith (Chief Executive)

DISTRIBUTIONS

Under the Dormant Bank and Building Society Accounts Act 2008, the only distributions the Company is permitted to make are to TNLCF. £68.5m of distributions were paid to The National Lottery Community Fund during the year (2019: £71.8m).

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

GOING CONCERN AND VIABILITY STATEMENT

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

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

In particular, the Directors have given careful consideration to:

- The expected cash outflows compared to the available cash and liquid assets in a normal and stressed scenario; this includes consideration of realistic scenarios whereby plausible economic, regulatory, and technological developments are modelled to reflect a dramatic fall in transfers into the Scheme and an increase in reclaim rates.
- The impact of COVID-19 on businesses generally; consideration was given to a possible increase in reclaim rates due to the potential financial impacts of COVID-19 causing account holders to seek their lost funds.
- The legal form of the Company in light of the change in ownership.

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

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations were made during the year (2019: £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

20 April 2021

Reclaim Fund Ltd
Registered number: 07344884

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

Company law requires the Directors to prepare the Annual Report and Accounts for each financial year. Under that law, the Directors have elected to prepare the Annual Report and Accounts in accordance with International Accounting Standards in conformity with the Companies Act 2006.

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

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ('IFRS') is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the Annual Report and Accounts, state whether International Accounting Standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the Annual Report and Accounts; and
- prepare the Annual Report and Accounts on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD

OPINION

We have audited the Financial Statements of Reclaim Fund Ltd for the year ended 31 December 2020 which comprise the Income statement, Statement of comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its result for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

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

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

OTHER INFORMATION

The other information comprises the information included in the Annual Report and Accounts, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements

themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD *continued*

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 32, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

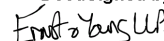
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Dormant Bank and Building Society Accounts Act 2008, Companies Act 2006 and the capital requirements imposed by the Financial Conduct Authority (FCA).
- We understood how the Company is complying with those frameworks through discussion with management and understanding the Board and Committee structure of the Company. We reviewed Board approved policies and understood the manner in which they are actioned by employees.
- We reviewed the minutes of key Committees in order to understand the nature of the internal reporting and evaluated whether the structures in place provided a robust framework for the Directors to monitor compliance.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by consideration of both the risks inherent in the business and the processes and associated controls over financial reporting and cash payments. We designed a suite of tests to address these risks, including testing of a sample of journal entries. This assessment was supplemented via discussion with management and those charged with governance.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included the following:
 - tested a sample of invoices relating to the Company's legal advisors to supporting documentation;
 - reviewed Board and Board Committee minutes;
 - reviewed regulatory correspondence; and
 - made enquiries of those charged with governance.

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

USE OF OUR REPORT

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

DocuSigned by:



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GILES WATSON
(Senior Statutory Auditor)

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

20 April 2021