ANNUAL REPORT AND ACCOUNTS
2023/2024

Reclaim Fund Ltd

MEANINGFUL GROWTH TRANSFORMATIVE IMPACT

Reclaim Fund Ltd:
Annual Report and Accounts 2023/24

Presented to Parliament by the Economic Secretary to the Treasury by Command of His Majesty.

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

OUR PURPOSE

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

OUR MISSION:

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

OUR VALUES

COLLABORATION
We share our skills and expertise for a better outcome

EVOLUTION
We embrace and celebrate change

INTEGRITY
We try to do the right thing, all of the time

RESPECT
We show respect to each other and all those we come into contact with

RESPONSIBILITY
We all have a personal role to play in meeting stakeholder expectations

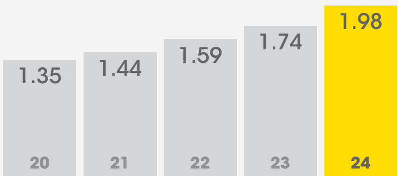
CONTENTS

Front cover image:
Zakariya, 1625 Independent People participant
See pages 6–7 for more about this charity

MEANINGFUL GROWTH TRANSFORMATIVE IMPACT

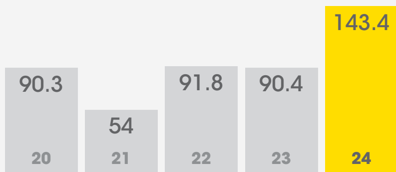
2023/24 HIGHLIGHTS

The past year has been a testament to RFL's strategic vision, operational efficiency and unwavering commitment to its core values. The annual report demonstrates these achievements and the key highlights define the journey over the past year.



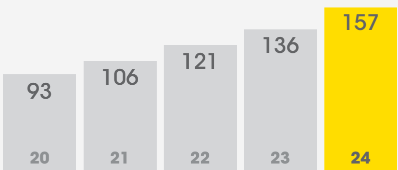
£1.98bn

DORMANT ACCOUNT BALANCES TRANSFERRED SINCE INCEPTION



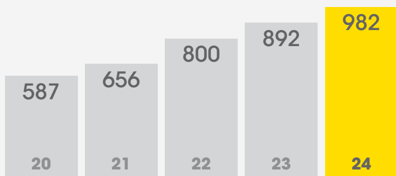
£143.4m

APPROVED FOR FURTHER DISTRIBUTION TO THE NATIONAL LOTTERY COMMUNITY FUND ('TNLCF')



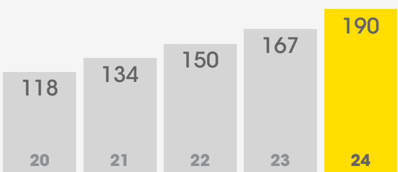
£157m

CUMULATIVELY RECLAIMED BY ACCOUNT HOLDERS



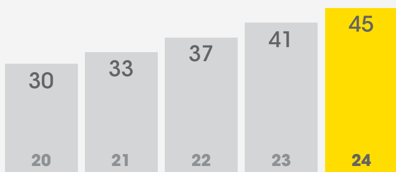
£982m

TOTAL AMOUNTS PAID TO TNLCF SINCE INCEPTION



190k

CUSTOMER ACCOUNTS RECLAIMED CUMULATIVELY



45

PARTICIPANTS IN ALL SECTORS

A REAL IMPACT ON PEOPLE'S LIVES

Scheme performance over the twelve months has shown it is possible to deliver both expansion and growth."

As I reflect on my time at Reclaim Fund Ltd so far, in my first annual review as Chair, my perception is the same as it was in my very first days here: that I have joined an organisation which is genuinely exceptional in more ways than one:

- RFL occupies a unique place within UK financial services as the sole regulated, trusted and time-served custodian of dormant assets; and
- through RFL's efforts, participants in the Dormant Assets Scheme are strengthening the social fabric of the country through purpose-driven causes that focus on long-term impact.

I also reflect on and celebrate RFL's relentless focus on prudent management, which ensures there is no compromise on the security we offer to participants or the promise of ongoing protection to consumers.

ROUTINELY GOING ABOVE AND BEYOND

I would like to pay tribute to the people who make this possible, beginning with RFL's close-knit and exceptionally hard-working team. My first and lasting impression is of a team who routinely go above and beyond in their work, have an enduring commitment to the organisation and bring strong personal motivations to making the best of what RFL can achieve, and the social impact it has.

This spirit extends to our equally hard-working and diligent Board, whose duty it is to oversee the responsible management of dormant assets. The combined efforts of our investment, remuneration, nomination and audit and risk committees ensure we practice good governance and responsible stewardship on a daily basis. In line with corporate governance best practice the Board commissioned an independent Board Effectiveness Review, which was conducted from December 2023 to February 2024. The review found, "The RFL Board has renewed itself successfully over the past year or two. It is a well-balanced team of high-calibre Directors who work well together and have a strong grasp of what makes RFL unique. The Board is well placed to oversee the next stage of the Fund's growth in both business volumes and organisational size."

RFL owes a huge debt of gratitude to my predecessor, Jane Hanson CBE, for her outstanding work as RFL Chair. Jane has contributed so much over many years to build up RFL and the Dormant Assets Scheme to the respected organisation it is today. I feel hugely privileged to have taken on the responsibility of chairing this unique organisation and am excited to apply the same passion to the next stages of our journey. On behalf of the Board and the RFL team, my thanks also go to Glyn Smith, who concluded his time on the Board in November and has left a lasting, positive impact on RFL. Glyn served on the RFL Board for eight years, was Chair of the Audit and Risk Committee and was also Senior Independent Director. He provided invaluable guidance as RFL transitioned into becoming a UK Government Arm's Length Body.

MOBILISING THE SECTOR TO TRANSFORMATIVE EFFECT

Like many others on the Board, I continue to be motivated by several factors: the inherent potential which RFL unlocks from forgotten money to support good causes; the practical impact that money can have on individual lives; and the affirmation provided by the real-life examples of people and communities whose lives have been changed as a result of the Dormant Assets Scheme.

RFL's endeavours have created a community which unites the public, private and third sectors to enable transformative work which has a real impact on people's lives. I know I speak for our Board as a whole when I say that very few opportunities exist to put our executive experience to good use in quite such a unique way.

BALANCING STABILITY, EXPANSION AND GROWTH

I have been struck by how rapidly this last year has passed and how much it has been possible to achieve with collective will and application. It helps to be building from a position of strength with robust governance, good stakeholder relationships and an established model with a clear track record of delivery.

Scheme performance over the twelve months has shown it is possible to deliver both expansion and growth. This year was the first with participants contributing across multiple sectors, and collectively delivering a major milestone for the overall Scheme as we approach £1 billion of distributions to good causes.

It is important to remember that successfully completing the expansion journey across all four priority sectors will require further work. We look forward to continuing our work with the Financial Conduct Authority and policymakers across Westminster and Whitehall to open the Scheme to Investments and Wealth Management assets and dormant shares in companies listed in the UK.

During 2023/24, the onboarding of new participants added a fresh energy to the Scheme; and looking ahead, we are committed in our determination to create greater Scheme awareness and build relationships with both current and new participants. Our Industry Champions, together with industry associations including UK Finance, Building Societies Association, Association of British Insurers and Investment Association play a vital role in achieving this. I would particularly like to acknowledge and congratulate Kirsty Cooper, Industry Champion for Insurance & Pensions and Securities who was awarded a CBE in the 2024 King's Birthday Honours List for services to business and the Dormant Assets Scheme. I am also relishing the opportunity to work alongside Scheme participants and partners, including HM Treasury, UK Government Investments, and the Department of Culture, Media and Sport. Their support, commitment and constructive collaboration have been instrumental in enabling RFL to grow and will be integral to delivering our future potential.

Voluntary participation remains integral to the existence of the Dormant Assets Scheme. Therefore, our task is to ensure the decision to join the Scheme is seen as an essential demonstration of best practice amongst UK financial institutions. The RFL Board, its management and staff will continue to work at pace to get to the point where the opportunity to partner with RFL is on all relevant corporate agendas, its value is clearly understood and the route to participation amongst eligible firms is accessible.

LAWRENCE M. WEISS
Chair

17 July 2024

CERTAINTY AND DELIVERY

Whilst we are clearly living through some unstable and uncertain times, the opposite has been true for Reclaim Fund Ltd over the last twelve months. The Dormant Assets Scheme is underpinned with strong foundations, which have enabled us to build on our success year on year.

As a result, 2023/24 has been a year of growth and expansion, and we are transferring more money than ever to vital good causes.

The strong governance we have established as the regulated custodian of dormant assets since 2010 continues to underpin everything we do. We have remained firmly focused on responsible stewardship during our third year of public ownership as an Arm's Length Body under HM Treasury. Fundamental to our role as the UK's reclaim fund is to take appropriate care of dormant asset funds and to fulfil our social, legal, parliamentary and regulatory responsibilities.

A STRONG YEAR ON HOME TERRITORY

Expansion has brought wider interest in dormant assets, yet we have continued to see significant inflows of funding from banks and building societies, many of which have participated in the Scheme for many years.

We also saw that the renewed focus on dormant assets galvanised banks and building societies that had not yet joined the Scheme. This includes a notable uplift in participation amongst building societies, with Buckinghamshire Building Society and Vernon Building Society joining the Alternative Scheme.

With a significant increase in new participation and a number of conversations ongoing with potential participants, it is becoming increasingly apparent that Scheme participation is becoming a hallmark of a responsible and well-governed financial services provider. RFL's careful custodianship means the Dormant Assets Scheme is trusted by both industry and the regulator; proven to be safe and secure for participants and customers; and desirable for senior management and boards in fulfilling their environmental, social and governance ('ESG') responsibilities.

BROADENING THE COMMUNITY OF SCHEME PARTICIPANTS

Successful expansion efforts mean that Aviva and Legal & General have joined with banks and building societies as active participants. The dormant assets model has proven its flexibility and resilience in adapting to new pensions and insurance asset classes, with different definitions of dormancy, without weakening the core principles which have guided our journey to date.

We look forward to the time when asset owners in the Investments and Wealth Management sector can join our growing roster of participants, along with issuers of shares in listed companies.

In expanding our reach, we have remained true to our core commitment to meet any future reclaims in perpetuity. The ability to make good on this promise is at the heart of the Scheme's integrity and longevity. As we continue to grow, it is vital that we maintain this lifelong protection for any customer or their beneficiary who has become disconnected from their funds.

A SIGNIFICANT YEAR FOR DISTRIBUTIONS

Having been part of RFL's story since it first began, I am particularly proud that 2023/24 is the second-highest year on record for dormant asset fund transfers. The £241m received ranks second only to transfers received during the Scheme's first year of existence, helped at the time by pent-up demand.

In total, we have now safely steered almost £1 billion of dormant assets' funds to support good causes and local communities. Instead of languishing in forgotten corners of UK financial institutions, this significant sum is now being put to tangible use to deliver social and economic benefits across the country.

As a result, thousands of people, families and communities are in a better position now than if the Scheme did not exist, helping to tackle some of the biggest social challenges facing the nation.

AN ESTABLISHED FORCE FOR GOOD

I would like to thank every Participant and every person across the industry who has helped to make this possible, as well as RFL's dedicated team and our many collaborators across the dormant assets ecosystem.

Internally, RFL has continued to evolve over the last year, building on our years of experience with new talent to enable us to stay focused and efficient as we adapt to new requirements. We have taken new systems and processes in our stride and adapted the proven infrastructure which got us here in the first place. We have also benefited from the perspective and energy of Lawrence M. Weiss as our new Chair. I am particularly grateful for Lawrence's input and delighted to have built a strong working relationship since his arrival.

"The dormant assets model has proven its flexibility and resilience in adapting to new pensions and insurance asset classes."

On behalf of RFL, I want to extend my gratitude to our former Chair, Jane Hanson CBE, for her dedicated service and leadership during her tenure as Chair of the Board. Her vision, wisdom and guidance have been invaluable to the success of RFL. We are grateful for her countless contributions and for leaving a lasting legacy.

Growth takes time, and the achievements of 2023/24 are neither an overnight success nor the end of the journey. The Dormant Assets Scheme was never designed as a quick fix or temporary stopgap: indeed, many of the social issues we are helping to address have become more acute during RFL's lifetime, with domestic cost-of-living pressures weighing on many households and the wider economy. I am immensely proud that we continue to form part of the solution, as an established and expanding force for good.

ADRIAN SMITH OBE
Chief Executive

17 July 2024

MEANINGFUL GROWTH TRANSFORMATIVE IMPACT

REBOOT WEST 3, BRISTOL

SUPPORTED BY

youth futures FOUNDATION

HELPING YOUNG PEOPLE FIND MEANINGFUL WORK

"Reboot has been an invaluable source of support, offering a reintroduction to life and work that has transformed my perspective."

SAM
Young person supported by 1625 Independent People

In September 2023, Youth Futures Foundation announced funding for the Bristol-based charity 1625 Independent People to evaluate the impact of its therapeutic approach through a unique randomised controlled trial.

£3m
TRIAL LAUNCHED TO SUPPORT CARE-EXPERIENCED YOUNG PEOPLE

Over £3m has been invested into Reboot West 3, a three-year programme that will support young people who have experienced care. The trial hopes to generate robust evidence on how the programme supports young people into positive education, employment and training opportunities.

For more details see www.1625ip.co.uk

FROM DORMANCY TO DISTRIBUTION

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

ABOUT THE DORMANT ASSETS SCHEME

RFL is authorised and regulated by the Financial Conduct Authority ('FCA') as a dormant account fund operator.

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

All activities are underpinned by the 2008 Act and RFL's Articles of Association. A transfer and agency agreement ('TAA') is also in place between RFL and each participant that establishes the contractual framework between the parties.

The Dormant Assets Act 2022 ('2022 Act') expanded the scope of the Scheme to other financial assets in the Insurance and Pensions, Investments and Wealth Management and Securities sectors that fulfil certain dormancy criteria. This is determined according to each asset class. More information on Scheme expansion is provided on page 13.

RFL manages the money that it receives prudently in accordance with the 2008 and 2022 Acts ('the Act') and relevant regulatory requirements, ensuring that it always has enough money available to meet any customer reclaims that may arise, as well as to satisfy its capital requirements and meet its reasonable expenses. If the Board of RFL determines that there is surplus money available, it can, under the Act, distribute this to The National Lottery Community Fund ('TNLCF') for the benefit of good causes across the UK.

Participation in the Scheme by eligible companies under the Act is voluntary.

The 2008 Act establishes two variations of the Dormant Assets Scheme for the Bank and Building Societies sector:

- a Main Scheme; and
- an Alternative Scheme.

Under the Main Scheme, the whole of the value of dormant account balances is transferred to RFL. Under the Alternative Scheme (see page 12), a portion of the value of dormant balances is transferred to RFL and the remainder is distributed to charities or foundations that are aligned with participants' social purpose. The table on pages 81 and 82 list the organisations that participate in the Scheme and the value of dormant balances/assets that they have transferred.

Before transfer of any dormant asset money to RFL, participants must make attempts to reunite dormant asset holders with their funds. Where this proves unsuccessful, balances that meet the criteria set out in the Act may be eligible for transfer to RFL, provided they satisfy certain requirements specified in the TAA between RFL and the Participant.

If dormant asset holders subsequently wish to reclaim their funds, under the TAA the Participant is appointed to act on behalf of RFL to reunite them with their funds and remains responsible for managing all aspects of the customer relationship. RFL holds no customer information and customers therefore have no direct relationship with RFL.

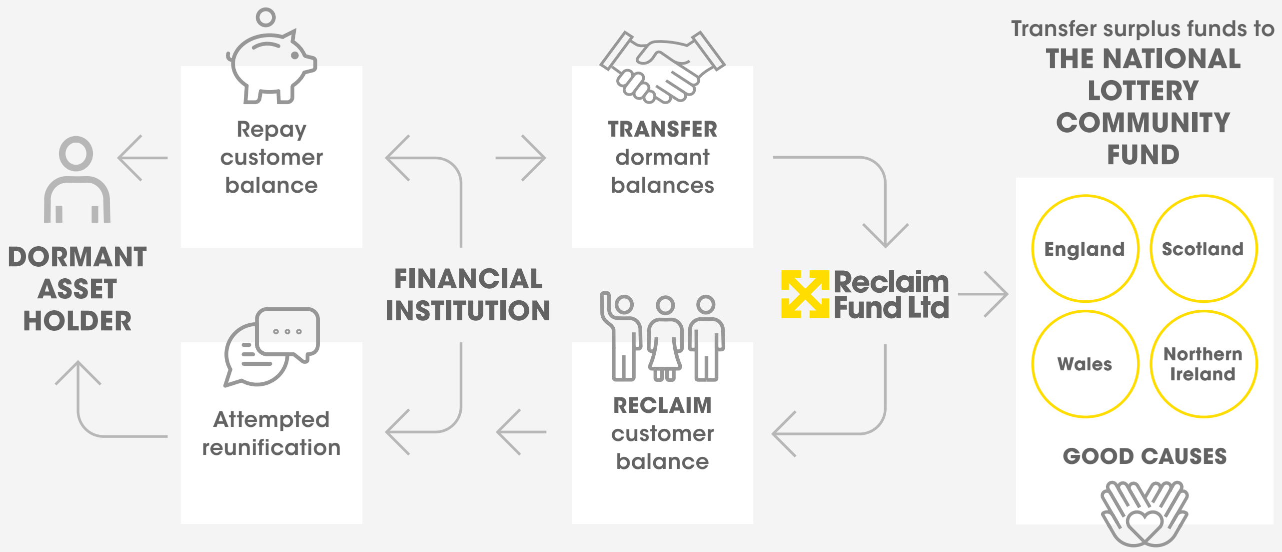
If RFL was, or looked likely to be, unable to meet its responsibility to repay the amount of owners' or beneficiaries' dormant asset balances owed to them, HM Treasury would assess the most appropriate course of action in line with these principles, which may include making a loan to RFL.

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

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

mylostaccount.org.uk

DORMANT ASSETS SCHEME[1]



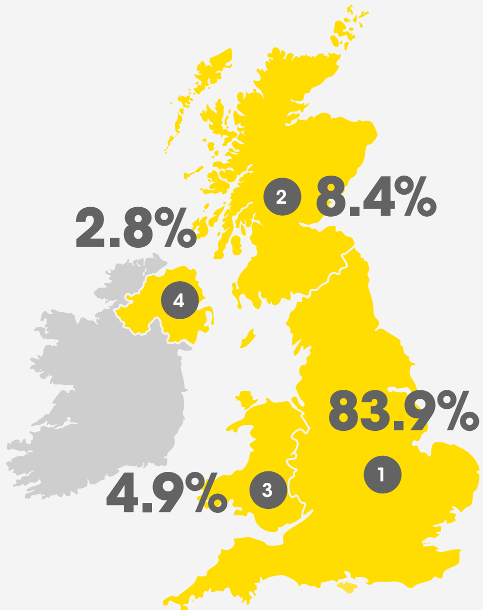
1 Excluding Alternative Scheme.

WHERE DOES THE MONEY GO?

RFL transfers surplus funds that are not required to cover future reclaims to TNLCF, which apportions funds in line with the priorities determined in each of the four UK nations. In England, dormant asset spend priorities are determined by the Secretary of State for Culture, Media and Sport, and in the devolved nations by the relevant administration:

1	**Financial inclusion; youth; social investment; Community Wealth Fund[1]**
2	**Young People (Youth Start Programme)**
3	**Climate Change; Environment; Sustainability; Young People**
4	**Increase the capacity, resilience and sustainability of the voluntary, community and social enterprise sector**

1 A new cause announced in 2023 under plans yet to be drawn up.



THE OVERSIGHT TRUST

Assets for the Common Good (also known as the 'Oversight Trust') is the sole member of Fair4All Finance, Youth Futures Foundation and Access which are companies limited by guarantee. Access is also a registered charity. Better Society Capital is a company limited by shares. The shareholding comprises 'A' shares held by the Oversight Trust and 'B' shares held by the shareholder banks: NatWest, HSBC, Barclays and Lloyds. The Oversight Trust's aim is to ensure that each of these spend organisations remain true to their objectives, with a particular focus on: ensuring good governance; ensuring strategic plans are in accordance with each spend organisation's objectives; reviewing achievement of each organisation's social impact; and reviewing transparency of financial and impact reporting.

In England, dormant assets funding is distributed to the four dormant assets spend organisations, while TNLCF distributes directly in the devolved nations

BETTER SOCIETY CAPITAL
bettersocietycapital.com

youth futures FOUNDATION
youthfuturesfoundation.org

ACCESS The Foundation for Social Investment
access-socialinvestment.org.uk

fair4all finance
fair4allfinance.org.uk

MEANINGFUL GROWTH TRANSFORMATIVE IMPACT

SALAD MONEY, ENGLAND

SUPPORTED BY

fair4all finance

BETTER ACCESS TO AFFORDABLE CREDIT FOR NHS AND PUBLIC SECTOR WORKERS

"Millions of people can't access fair or affordable credit. This new facility will help us to help thousands more hard-working NHS and public sector employees."

TIM ROONEY
Salad Money CEO

Thanks to funding from RFL, an extra £2m of affordable credit is now available for NHS and public sector workers, who might otherwise turn to unaffordable payday loans or even loan sharks.

The deal has been put together by Fair4All Finance, one of RFL's four asset spend organisations in England, and Salad Money, a purpose-driven fintech company. Salad Money offers small-sum loans to key workers in the public sector and NHS, using open banking data to assess affordability. This means applicants aren't penalised or unfairly excluded for having an impaired credit score.

£2m

OF AFFORDABLE CREDIT FOR THOSE WHO NEED IT THE MOST

For more details seesaladmoney.co.uk/socialimpact

ALTERNATIVE SCHEME

The Alternative Scheme was introduced to enable smaller banks and building societies with balance sheet assets of less than £7bn, but which satisfy certain eligibility criteria, to participate in the Dormant Assets Scheme.

Under the Alternative Scheme, a participating bank or building society may choose to transfer an agreed proportion of dormant account balances to RFL and the remaining portion to one or more eligible charities or foundations.

Since the Alternative Scheme was first established for banks and building societies in 2019, over £4.4m in dormant assets has been transferred to RFL. Of that, £2.64m has been donated to aligned or local charities of participants' choice.

NEW PARTICIPANT – BUCKINGHAMSHIRE BUILDING SOCIETY

In January 2024, Buckinghamshire Building Society joined five building societies already participating in the Alternative Scheme.

We are proud to announce our partnership with RFL, marking a significant step forward in our commitment to social responsibility and community engagement. We look forward to seeing the positive transformations that this partnership will enable."

DAN WASS

CEO, Buckinghamshire Building Society

NEWCASTLE BUILDING SOCIETY

A Carlisle museum and cultural hub received a grant from the Newcastle Community Foundation for their popular community garden and a special volunteering project involving asylum seekers living in the city.

The museum used a £2,000 grant from the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland to bring in experienced project leader and keen gardener Chuck Whitehead to set up and run a project which gave asylum seekers the chance to volunteer in the garden. The grant also paid for the equipment that was required to undertake it.

We simply couldn't have made this project happen without Newcastle Building Society's invaluable contribution, and local people will be enjoying what it's helped to deliver for a long time to come."

LINDSEY ATKINSON

Community Engagement Producer, Tullie House Museum

SCHEME EXPANSION

The 2022 Act expanded eligibility to a wider range of dormant assets in the Insurance and Pensions sectors, the Investments and Wealth Management sector, as well as dormant shares and share proceeds in UK public limited companies ('Securities').

RFL has engaged across government, regulators and industry to adopt a phased expansion of the Scheme to these sectors.

The Scheme was first opened to the Insurance and Pensions sectors in June 2023, with the announcement that Aviva plc had joined the Scheme. As a result, companies in these sectors can now transfer monies held in eligible insurance and pension policies into the Scheme. RFL has since continued to engage with companies in the sector to raise awareness of the Scheme and invite participation.

RFL continues to work proactively with its regulatory, government and industry partners to open the Scheme to the remaining sectors. The timing of the remaining expansion phases will be confirmed once the remaining regulatory and industry challenges that are not within RFL's control have been addressed.

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

NEW PARTICIPANT – AVIVA

Government figures from 2021 estimate that expanding the Scheme to new sectors could unlock a further £880m to support the UK's most vulnerable communities and transform lives. Aviva joined the Scheme in June 2023 as the flagship participant in Insurance & Pensions, which marked the opening of the Scheme to the sector.

KIRSTY COOPER CBE
Former Group General Counsel and Company Secretary at Aviva and Industry Champion for Insurance & Pensions and Securities. Kirsty is delighted to see a project she has worked on for nearly a decade finally launch

HEAR FROM KIRSTY

"We have been working proactively with RFL and the wider dormant assets community for a number of years to expand the hugely successful Dormant Assets Scheme to the Insurance and Pensions sectors and adapt it for longer-term products.

It is great to see a lot of hard work reaching fruition and it is such a privilege to be the first Participant in our sector. We have been involved with the Dormant Assets Scheme since 2016 and hope that Aviva's participation will encourage other companies to take part, with the dual purpose of reuniting customers with their assets and ensuring dormant assets can have a positive impact on our society."

DORMANT ASSETS TRANSFORMING OUR COMMUNITIES

Financial institutions that choose to participate in the Scheme have enabled £982m to be transferred to social and environmental causes across the UK so far.

OCTOPUS INVESTMENTS, ENGLAND

ACCELERATING THE UK'S MUCH-NEEDED DELIVERY OF GOOD QUALITY, AFFORDABLE HOMES

£10m

OF DORMANT ASSETS FUNDING FROM BIG SOCIETY CAPITAL

"The sale of 26 homes at Great Haddon Wood to Octopus will help people looking to rent a home, or to buy through shared ownership, become part of this thriving new community. We look forward to welcoming the first residents to their homes."

FRASER HOPES

Managing Director of Vistry Homes

In January, Octopus Investments, part of financial services specialist Octopus Group, received £10m of dormant assets funding from Better Society Capital for its Affordable Housing Fund. The Fund has now also made its first deployment through forward funding, committing to acquire 26 homes in Great Haddon, Peterborough, from Vistry Homes. The Fund has been set up to accelerate the UK's much-needed delivery of good-quality, affordable homes, and will ensure that new homes are built in line with robust sustainability standards.

For more details see octopus-realestate.com/affordable-housing/

SUSTAINABLE STEPS, WALES

SUPPORT WIDESPREAD TREE PLANTING

"Empowering and facilitating community-based climate action is at the core of our business and the support has spring boarded us into a position where we can begin to engage with other local groups, organisations and social businesses to explore how Trees For Tomorrow can position itself to make a significant and meaningful contribution to the community."

JONATHAN TILLER

Director at Trees for Tomorrow

Trees for Tomorrow, based in Pembrokeshire, made the first successful application to the Egin grant programme. With £15,000, it's developing a tree nursery which will support widespread tree planting and offer opportunities for the community to engage in activity supporting climate action.

£20m

TO BE INVESTED TO CONTRIBUTE TO A PROSPEROUS, LOW CARBON FUTURE FOR WALES

For more details see egin.org.uk/case-study-trees-for-tomorrow/

CHILDREN'S HEARTBEAT TRUST, NORTHERN IRELAND

HELPING TO PROVIDE CARE

The Dormant Accounts Fund in Northern Ireland continues to consider applications for larger strategic investments to enable collaboration and develop new and creative approaches to the sector. So far, 249 projects have received a total of £21,070,721. Children's Heartbeat Trust, which is based in Belfast but works across Northern Ireland to support children living with heart conditions, is using a £99,200 grant to improve its communications systems and become more financially resilient.

"This grant was just what we needed to invest in the infrastructure of the organisation. The money will allow us to develop our digital communications and technology, generate more income, build our capacity to influence policies affecting these children, and provide training for staff to ensure they have the right skills."

JOANNE MCCALLISTER
CEO, Children's Heartbeat Trust

Dormant Accounts FUND NI | Delivered by THE NATIONAL LOTTERY COMMUNITY FUND

£21m

TO BE INVESTED IN 249 PROJECTS IN NORTHERN IRELAND

For more details see childrensheartbeattrust.org/

COMMUNITY RENEWAL TRUST, SCOTLAND

SUPPORTING YOUNG PEOPLE INTO FURTHER EDUCATION AND JOBS

In December, 41 Scottish groups celebrated a total cash boost of £3.5m from the Young Start fund, distributed by The National Lottery Community Fund. An award of £90,000 to Perthshire-based charity KYTHE will enable it to continue running a variety of youth groups for hundreds of local young people, giving them access to a range of free services such as music lessons, mental health support, study clubs, and CV-writing workshops.

£3.5m

CASH BOOST TO SUPPORT YOUNG PEOPLE IN SCOTLAND

For more details see govanhill.info/get-involved/

youngstart | Delivered by THE NATIONAL LOTTERY COMMUNITY FUND

"Before I joined the group, I had no idea what I wanted to do as a career, but thanks to the sessions, I've found my passion – music. I've played at a couple of fundraising events for KYTHE and when I see how much money the gigs have raised, I feel so proud."

GRADY KINNELL,
KYTHE Participant

PRINCIPAL ACTIVITIES

The principal activity of Reclaim Fund Ltd ('RFL' or 'the Company') is the receipt and management of dormant asset monies. The Company has been actively operating since 28 March 2011.

The Act enables eligible organisations that choose to participate to transfer money in dormant assets to the Company and for surplus funds to be distributed to The National Lottery Community Fund ('TNLCF') and then onward to good causes across the UK. This is known as the Main Scheme. Currently banks, larger building societies, and insurance and pensions providers with eligible dormant assets can join the Main Scheme, with other sectors to follow in line with the 2022 Act.

In addition, RFL operates an Alternative Scheme for banks and building societies with balance sheets assets of less than £7bn. This enables them to utilise their qualifying dormant accounts by transferring an agreed proportion of a dormant account balance to the Company and the remaining portion to one or more eligible charities or foundations.

Both Schemes ensure that the right of dormant asset holders, or their beneficiaries, to reclaim their money is protected in perpetuity by transferring the individual's claim against his or her bank, building society or other financial institution to RFL.

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

OUR STORY

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

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

In late 2019, the Office for National Statistics ('ONS') conducted a review of RFL and informed the Government of its decision to classify RFL as part of the central government sector for statistical purposes, effective retrospectively to the point of RFL's establishment.

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

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

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

More information can be found in the Corporate Governance report on page 34.

REVIEW OF THE YEAR

The Company accepted £219.4m (2022/23: £142.9m) of dormant account transfers from 14 of the 36 participating UK banks and building societies in the Main Scheme (2022/23: 14 of 36). Additionally, the Company accepted liability for £0.2m (2022/23: £0.5m) of dormant account monies from Alternative Scheme participants, with Buckinghamshire Building Society and Vernon Building Society joining during the year. The Company also accepted £21.4m from Aviva plc, the first joiner to the Insurance sector, and £5k from Legal and General, the first joiner to the Pensions sector.

Operating expenses consist of staff costs, Directors' fees, investment management fees and other costs incurred in the normal course of operating an FCA regulated business, totalling £4.4m (2022/23: £4.6m) in the year. The RFL business model is built on a combination of in-house operations and outsourced suppliers.

Set-up costs of £1.3m (2022/23: £3.1m) have been incurred for Scheme expansion. These include fees for project management, business consultancy, legal support on the new transfer and agency agreement ('TAA') in place for the new sectors eligible to join the Scheme, and regulatory advice. The Scheme is now open to the Insurance and Pensions sectors and the fall in costs reflects a gradual reduction in external support and advice required to support expansion into the remaining sectors.

Total assets have increased from £728.0m to £877.4m in the year reflecting the large inflows of dormant assets in the year, net of distribution and reclaim payments. Of these assets, investment securities have reduced by £135.7m from £446.7m as at 31 March 2023 to £331.0m at 31 March 2024. The reduction reflects a conscious decision by the Board to cease the reinvestment of maturing bonds and move the cash realised on the maturing funds back into the Bank of England until such time as a revised investment strategy was agreed. This revision was completed in March 2024, with the revised strategy implemented in April 2024.

The amount held with the Bank of England increased from £248.2m to £470.7m reflecting the conscious transfer of maturing investment securities described above, plus the large inflow of dormant assets. Interest income received increased from £13.6m in 2022/23 to £29.8m in 2023/24, reflecting the increases in the Bank of England base rate during the year.

RFL continues to set aside sufficient funds to meet the reclaims it is prudent to anticipate in perpetuity. The best estimate reclaim provision continues to be refined using actuarial expertise and has resulted in a reclaim provision of £173.9m at 31 March 2024 (2022/23: £168.5m). Further analysis and sensitivities can be seen in Notes 1 and 9.

A number of reclaims were paid to participants, amounting to £21.3m (2022/23: £15.4m). Of the £21.3m paid in the year, £17.5m related to dormant assets received to 31 March 2023 and the remaining £3.7m related to dormant assets received in the year to 31 March 2024. As at 31 March 2023, the best estimate model predicted reclaims of £16.5m, which closely aligns to the £17.5m paid out in the year. RFL continues to refine the model in light of additional reclaim experience.

Distributions paid to TNLCF during 2023/24 were £90.4m (2022/23: £91.8m). A further distribution of £143.4m was approved by the Board on 11 July 2024 taking cumulative distributions to more than £1.1 billion.

PRINCIPLES OF THE DORMANT ASSETS SCHEME

1 REUNIFICATION FIRST

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

2 VOLUNTARY PARTICIPATION

- The Scheme is voluntary.
- Eligible organisations can choose whether to contribute to the Scheme and to what extent.

3 LIFELONG RIGHT TO RECLAIM

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

KEY PERFORMANCE INDICATORS

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

NON-FINANCIAL KPIs[1]

PARTICIPANTS

Level of participation in the Scheme by eligible participants.

During the year to 31 March 2024, amounts were received in respect of dormant assets from 14 of the 36 Main Scheme participants (2022/23: 14 of 36), from 4 of the 7 Alternative Scheme participants (2022/23: 2 of 5), and from each of the first new joiners to the Insurance and Pensions sectors.

SUPPLIERS

Agreements with outsourced service providers that comply with 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 known breaches of any regulations or contracts with external parties during the year.

1. Some sectors anticipated in the 2022 Act were not eligible to participate during the 2023/24 financial year.

FINANCIAL KPIs

AMOUNTS RECEIVED FROM PARTICIPANTS

£241.0m

2022/23: £143.4m

In 2023/24, transfers exceeded management's expectation, taking total transfers since inception to more than £1.98bn. This year was our second highest year of transfers since our inception, with significant contributions from our major participants to the Scheme.

LIQUIDITY – CASH HELD

£545.9m

2022/23: £280.7m

RFL predominantly holds cash balances with the Bank of England, which provides a high degree of security and liquidity, and the remaining cash being held by its investment manager. RFL chose to move maturing funds back into the Bank of England until such time as a revised investment strategy was agreed by the Board.

AMOUNTS SET ASIDE TO SUPPORT THE LONG-TERM BUSINESS

£730.1m

2022/23: £635.9m

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

ONGOING OPERATING COSTS

£4.4m

2022/23: £4.6m

Ongoing operating costs reflect the business activities undertaken in 2023/24. These include staff costs, outsourcing fees, consultancy fees, professional services, costs for legal and actuarial advice and investment management fees. Annual budgets are reviewed and approved by the Board, with costs being regularly monitored.

SCHEME EXPANSION SET-UP COSTS

£1.3m

2022/23: £3.1m

RFL incurred costs for project management, business consultancy, legal support on the new transfer and agency agreement ('TAA') and regulatory advice required for the expanded Scheme over both the year under review and prior year. 2022/23 saw significant progress on the legal requirements to enable some sectors to join the expanded Scheme, with 2023/24 seeing a refinement in phasing as RFL aligned expansion plans with a timetable suitable to the regulator, industry bodies and potential participants.

INVESTMENT SECURITIES HELD

£331.0m

2022/23: £446.7m

We maintain a highly liquid, secure position, with maturing bonds and coupons generated from the investment portfolio. As explained above, RFL opted to increase funds held with the Bank of England until such time as a revised investment strategy was agreed by Board.

MEANINGFUL GROWTH TRANSFORMATIVE IMPACT

SOHALIA RESTAURANT, LONDON

SUPPORTED BY

ACCESS The Foundation for Social Investment

HELPING VULNERABLE ADULTS REGAIN THEIR INDEPENDENCE

"No matter what's going on in my life, I'll always be able to smile because of Fat Macy's. They changed my life and continue to help me."

EMMANUEL
Programme graduate

Fat Macy's is a social enterprise operating a restaurant and events catering business that provides support, training and work experience to vulnerable people, enabling them to gain employment and secure housing.

Like others in the hospitality sector, Fat Macy's was significantly impacted by the Covid-19 pandemic – and even today conditions in the hospitality industry remain incredibly tough. Fat Macy's therefore applied for, and was granted, two loans under the Access – Foundation for Social Investment Flexible Finance programme. The funds have provided a vital lifeline for the Fat Macy's business.

£100k

RECEIVED UNDER ACCESS'S FLEXIBLE FINANCE PROGRAMME

For more details see fatmacys.org

DIRECTORS' DUTY TO RFL'S WIDER STAKEHOLDER BASE

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

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

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

DORMANT ASSET HOLDERS

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

SCHEME PARTICIPANTS

RFL has regular communication with Scheme participants, and provides proactive support for Scheme onboarding, transfers and reclaims. This includes, but is not limited to, regular meetings, the annual self-certification questionnaire, and introductions to other participants to share experiences and best practices. The Company also participates in selected third-party events, such as the Building Societies Association ('BSA') and Association of British Insurers ('ABI') annual conferences.

SHAREHOLDER

UK Government Investments ('UKGI') acts as the representative of RFL's sole shareholder, HM Treasury, as outlined in the Framework Document. HM Treasury's views are considered through a UKGI-appointed Non-Executive Director attending Board and Committee meetings and through close working relationships between representatives of UKGI and RFL. A quarterly meeting is chaired by UKGI, which RFL executives and senior Government representatives attend to discuss RFL's business plan.

SCHEME BENEFICIARIES

RFL's purpose is to unlock the potential of dormant assets to enhance communities and enrich lives. This is achieved by transferring surplus funds not required to cover future reclaims and regulatory capital to The National Lottery Community Fund ('TNLCF'), which then distributes funding to good causes. It does this in line with policy direction determined by the Secretary of State for Culture, Media and Sport and the devolved administrations. RFL communicates the benefits of the Scheme through its regular newsletter to participants, its website and social media. The Board agreed at the July 2024 meeting to release a further £143.4m to TNLCF to benefit good causes.

GOVERNMENT

RFL continues to engage closely with our government stakeholders, most notably HM Treasury, UKGI and DCMS, with regular communications via senior management. RFL attends the Dormant Assets Expansion Board ('DAEB'), a discussion forum set up in 2021 and chaired by DCMS, which brings together government, regulatory and industry stakeholders to establish and deliver on the roadmap to Scheme expansion.

OUR REGULATOR

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

OUR SUPPLIERS

RFL's suppliers are appointed in accordance with internal policies, including documented relationship terms and service level agreements where appropriate. RFL undertakes regular reviews with key suppliers, with whom it meets twice yearly. Under the terms of RFL's relationship, suppliers are obliged to comply with the Modern Slavery Act, General Data Protection Regulation and other requirements to ensure the safe and compliant delivery of outsourced services. Once again RFL was awarded Fast Payer accreditation in 2023 by Good Business Pays, an accolade which recognises companies that have demonstrated excellent payment practice to their suppliers.

ENVIRONMENT

RFL is committed to managing its use of resources and its environmental impact. The Board and Executive continue to focus on the impact of RFL's core activities, notably the impact of its investment activities, people and suppliers. The Company will continue to review climate change regulation and adapt its operations where necessary to ensure its work aligns to its purpose, mission and values. The Board has defined its sustainability risk and risk appetite statement in RFL's Sustainability Framework. More information can be found in the Sustainability report on page 24.

EMPLOYEES

RFL has a small, highly professional permanent team, complemented by contract project staff, and outsources several activities to specialist third parties. Staff engagement is strong, an open culture is encouraged, and the Board supports management's investment in its workforce, including support for training and development. The Company adopts a flexible, hybrid working policy, whilst leveraging the office as a collaborative hub. RFL has been awarded a gold standard 'We Invest in Wellbeing' award, has Investors in People Gold status and was accredited as a Living Wage employer once again in 2023.

In December 2023, an internal team engagement session was held to establish whether the current Company values were reflective of RFL's current working methods. The outcome of the session was to review and expand RFL's values to include Evolution and Respect, as well as maintaining its existing values of Responsibility, Collaboration and Integrity.

INVESTMENT IN TRAINING AND DEVELOPMENT

"Completing my CIPS qualifications and gaining my membership status would not have been possible without the support of RFL. This opens up many career opportunities for me and emphasises the investment RFL places on training and development of the team. I am extremely grateful to have been given the opportunity to complete my studies alongside working, and RFL is now seeing the benefits in the work I perform."

LOUISE WALKER
Procurement Lead

Staff development continues to be a priority for RFL. For example, Procurement Lead Louise Walker attended graduation for her CIPS (Chartered Institute of Procurement and Supply) qualification. A CIPS qualification is the global standard for the supply chain and procurement profession. In 2021, Louise completed her Level 6 Professional Diploma in Procurement and Supply, after previously completing Level 4 and 5 qualifications. She successfully became a Member of the Chartered Institute of Procurement & Supply (MCIPS) in October 2022.

INVESTORS IN PEOPLE | Gold Until 2022

Investors in People | Health & Wellbeing Award

We are a Living Wage Employer

OUR ESG COMMITMENTS

RFL has an exemption from the UK Government Greening Commitments reporting, as its operational footprint is below the required threshold of 50 employees and an office size under $500m^2$. This report is therefore made on a voluntary basis.

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

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

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

SUSTAINABILITY FRAMEWORK

TCFD Methodology	Accountability	Responsible for	Sustainability Policy Statement		
GOVERNANCE	Board	Owning the Strategy	SUSTAINABILITY – ESG STRATEGY & BUSINESS MODEL		
	AARC[1]	Oversight	Environment	Social	Governance
	Management	Implementation			
STRATEGY	Board	Actual and potential impacts on RFL	• Transitional • Physical	• Diversity • Inclusion • Development	• Transparency • Accountability • Independence • Ethical Behaviour
RISK MANAGEMENT	AARC[1]	Reporting on key risks	ACCEPT – MITIGATE/ADAPT – AVOID		
	Management	Management within risk appetite	• Investment Strategy • Working practices	• Governance • Investment Strategy • Working practices	• Governance • Investment Strategy • Working practices
METRICS & TARGETS	AARC[1]	Set Targets	**Targets** – Taking into account: UN Social Development Goals (SDG), Green House Gas Emissions, Government commitments Metrics – Set to manage within appetite Reporting – HMT, Annual Report and Accounts		
	Management	Set KRIs			

1 AARC – Audit and Risk Committee

KEY ELEMENTS OF RFL'S SUSTAINABILITY POLICY

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

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

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

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

- environmental: transition, physical and litigation risk factors and related opportunities;
- social: non-adherence of RFL's supply chain partners to RFL's modern slavery policy; and
- governance: a lack of diversity at Board or governing body level.

SUSTAINABILITY FRAMEWORK

The elements of the framework are set out below:

Governance

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

Strategy

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

Risk management

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

Metrics and targets

RFL's ESG targets which, following an assessment, have been split between RFL's investment portfolio and operational targets, have been set and reapproved by the Board of RFL following an annual review. A comparison of actual performance to these targets is tracked by management and Board and performance is ahead of target for the majority of metrics. The target range aims to meet the Government's Net Zero by 2050 commitment. The table below shows the position as at 31 March 2024.

	RFL 2022 to 2050 target range	**RFL position at 31 March 2024**	Status
Investment portfolio			
Environmental – Greenhouse gas ('GHG') carbon intensity (MSCI 'tCO_2e/$MM')[1]	40 reducing to 0	23.8	On track
Environmental – Overall MSCI rating[2]	6.4 (A) increasing to 10 (AAA)	6.8 (AA)	On track
Social – Overall MSCI rating	5.0 (BBB) increasing to 8.6 (AA)	5.4 (BBB)	On track
Governance – Overall MSCI rating	5.0 (BBB) increasing to 8.6 (AA)	6.6 (A)	On track
RFL governance and operations			
Environmental – GHG emissions	RFL has an immaterial GHG operational footprint	RFL has an immaterial GHG operational footprint	On track
Social – modern slavery	Key supply chain monitoring of adherence to supply code of conduct	Based on RFL's active monitoring, RFL is unaware of any modern slavery concerns within its current supply chain.	On track
Governance – % women on Board	>=40%	37.5%	Monitoring
Governance – Ethnic minority representation on the Board	>=1	1	On track

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

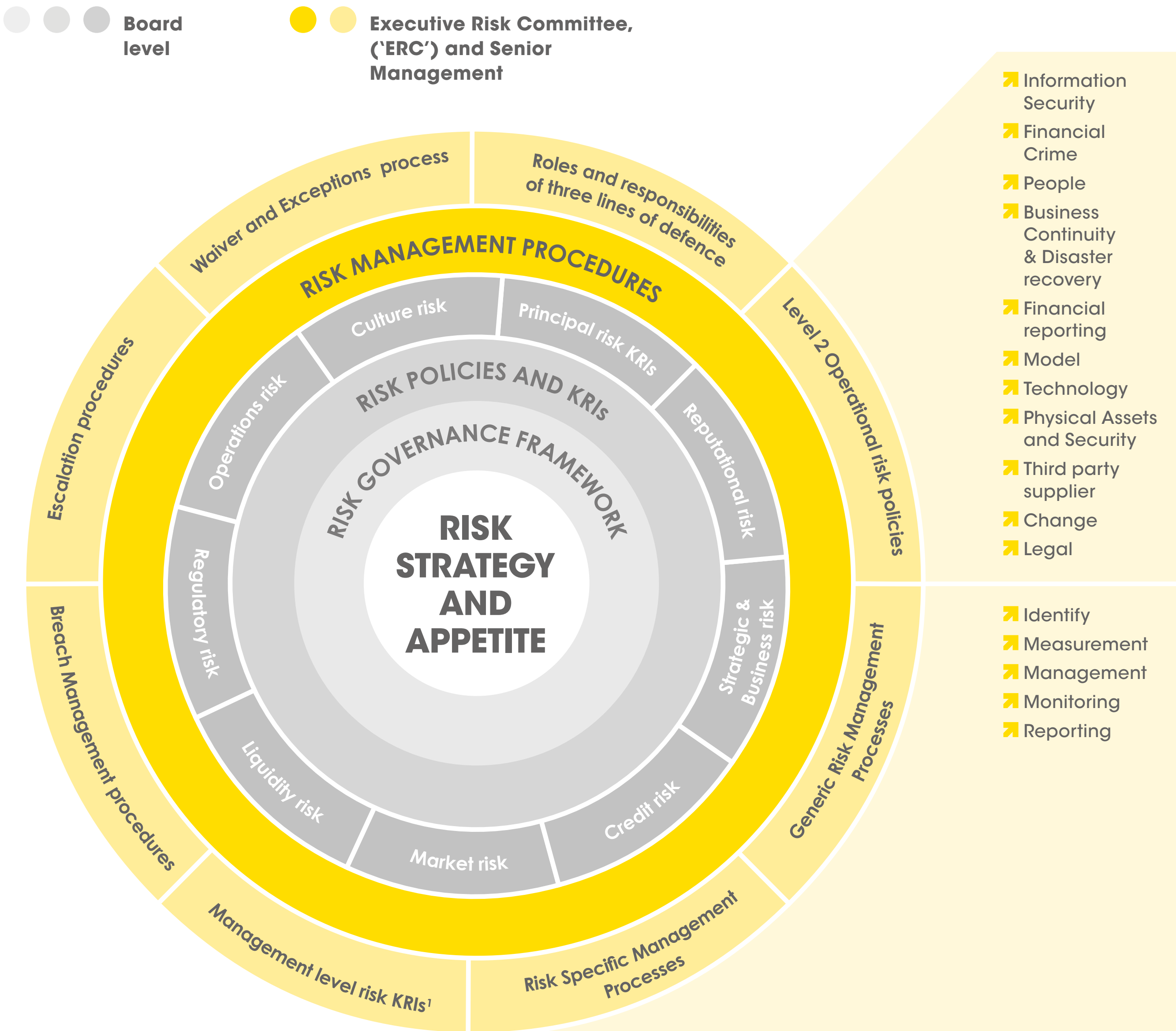
2 MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. MSCI uses a rules-based methodology to identify industry leaders and less advanced companies according to their exposure to ESG risks and how well they manage those risks relative to peers. Their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

EVALUATING AND MANAGING RISKS

Risk management is the process of identifying, evaluating and managing risks in order to reduce threats and take opportunities in support of delivering the Company's strategy.

OUR RISK MANAGEMENT FRAMEWORK

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



1 KRI = Key risk indicator

PRINCIPAL RISKS AND UNCERTAINTIES

The Company operates in a regulated environment and is subject to legislative and regulatory requirements, with the sole regulator being the FCA. Within the constraints of the Act, the Board is responsible for strategy, risk and overall corporate governance, which includes ensuring that there are adequate systems of risk management and that the level of capital held is consistent with the risk profile of the business and meets the FCA Individual Capital Guidance ('ICG').

Our Risk Management Framework

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

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

How we manage risk

RFL uses a 'three lines of defence' model through which it manages significant risks, overseen by the Board and AARC:

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

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

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

Key risks in 2023/24

RFL is exposed to various risks which management monitors and over which it takes action where required. Key risks include those arising from:

1. Macro-economic instability – this impacts RFL from both a strategic and operational perspective. The impact of high interest rates, high inflation and the increased cost of living, together with ongoing and elevated geopolitical uncertainty, continues to pose challenges. Whilst RFL has managed this risk effectively over recent years, this risk could lead to higher reclaim rates, volatility in investment performance, increased operational costs and the external impression that RFL should be distributing more to good causes.
   a. Strategic
      I. Potential challenges to existing reserving policy;
      II. Loss of focus (lack of bandwidth from both internal and external stakeholders) on strategic activities, e.g. Scheme expansion;
      III. Pressure to distribute funds outside of current risk appetite;
      IV. Compliance with the requirements and expectations of multiple stakeholders.
   b. Operational
      I. Unavailability of senior personnel at a time of significant change;
      II. Reduced operational capability.
2. The expansion of the Dormant Assets Scheme, in line with the 2022 Act, is resulting in a significant amount of change over a short period of time. For example, the FCA has requested that RFL takes significant steps to be in a position to manage dormant assets in the event that a participating firm is subject to a disorderly insolvency with no successor to take on their obligations under their TAA. This would have considerable implications for RFL's operating model should the situation occur. Furthermore, such an event would require a change in regulatory approach and oversight as this element of the business would effectively become a business-to-consumer operation, and hence subject to increased regulatory requirements including GDPR and Consumer Duty. A second example is the implications of taking on eligible assets of fluctuating value, where the underlying valuations can change and which will require new ways of monitoring and reserving.

PRINCIPAL RISKS

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

Principal risk	Detail	Trend	Mitigations
Reclaim risk	Reclaim risk is the risk that the Company does not retain sufficient funds to meet future reclaims in perpetuity. RFL recognises the increased risk from the new asset classes where, in contrast to our experience with banks and building societies, reclaim behaviour is unknown. When considered in aggregate with the asset classes with which RFL has more experience, RFL's overall exposure is assessed as stable.	↔	• The Company's policy is to maintain prudent reclaim provisions and capital for future reclaims to reflect the longevity of the risk of reclaim. • The level of reclaims is rigorously monitored on an ongoing basis. • The Company continues to use actuarial expertise to consider stress events that could lead to an increase in reclaim rates.
Strategic and business risk	Strategic and business risk arises from changes to RFL's business, specifically the risk of not being able to carry out the Operating Plan and desired strategy. In a broader sense, strategic risk is RFL's exposure to a wide range of macro-economic, geopolitical, banking, regulatory and other external risks, particularly relating to dormant assets. The overall risk level increases when a number of risks combine at a single point in time. RFL's exposure was assessed as increasing last year due to the combination of events that could have a potential impact. This year the risk remains stable at that heightened level for the same reasons, including the impact of high inflation and interest rates, and ongoing and elevated geopolitical risk.	↔	• The Board and Executive continually consider the impact of current events on RFL's strategic objectives. • The Board has delegated responsibility for overseeing the investment mandate to an experienced investment committee. • Second line ensures compliance with the mandate. • RFL outsources its investment management to a respected fund manager.
Regulatory risk	The Company operates in a regulated environment and is subject to significant legislative and regulatory requirements, having the unique classification of 'Dormant Account Fund Operator'. It is regulated by the FCA. RFL's exposure is assessed as increasing due to potential changes to its regulatory regime resulting from Scheme expansion.	↑	• Communication and collaboration with the regulator on any proposed internal or external material changes. • RFL uses a combination of in-house and external regulatory experts to ensure proactive compliance with regulations.
Operational risk	Operational risk is defined within RFL as the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. This takes into account the effectiveness of risk management techniques and controls to minimise these losses. RFL's exposure is assessed as increasing due to the potential increased operational complexity driven by Scheme expansion, the ongoing systems implementations and the recruitment and integration of new members of staff. In addition, in common with most other financial organisations, RFL faces cyber security threats which continue to evolve and have the potential to disrupt RFL's operations should such threats crystallise.	↑	• Twice-yearly risk and control self- assessment completed by second line and approved by AARC. • Regular review of preventative and detective controls. • Second-line review of RFL operations and any proposed changes. • Early involvement of second lines in all relevant initiatives. • Use of external specialists to address specific risks and provide third-line internal audit reviews. • Introduction of improved technology to reduce reliance on individuals and provide scalability. • Refined organisation design and new appointments to increase organisational depth, capacity and expertise. • Cyber strategy in place to respond to cyber threats.

Principal risk	Detail	Trend	Mitigations
Change risk	Change risk is defined as the risk of relying on a small core RFL team to deliver and absorb the level of change created by strategic initiatives, most notably Scheme expansion. RFL's exposure is assessed as increasing due to the technological and process changes needed to support Scheme expansion, along with the ongoing implementation of the Customer Relationship Management ('CRM') and Risk system modules.	↑	• Use of senior interim change specialists and external assurance. • Refined organisation design and new appointments to increase organisational depth, capacity and expertise. • Regular monitoring of change delivery, risks and issues by Executive team.
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. Liquidity and funding risk remains stable as it continues to be mitigated through effective cash management.	← →	• The Company's policy is to ensure it has sufficient liquid funds to fulfil liabilities as they fall due. • The Company operates within a Board-approved investment mandate, which ensures that, at all times, a substantial proportion of the Company's assets are held in a highly liquid form.
Credit risk	Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from cash deposits and from the Company's investments. RFL's exposure is assessed as stable, albeit RFL recognises the reduction in the balance of investment securities held. There remains a risk in the event of an economic downturn and the potential to expand the availability of investment opportunities.	← →	• Investment decisions are made in line with a strict investment mandate in order to manage the Company's exposure to credit risk. • Investments comprise primarily fixed income investments, with initial purchases being restricted to investments with credit ratings graded no lower than BBB+. • Any downgrading of investments is considered by our investment manager and by the Executive to determine whether it remains appropriate to continue to hold the affected investments.
Market risk	Market risk is the risk to the Company of exposure to fluctuations in market interest rates on its financial position and cash flows. Interest income may fluctuate as a result of such changes. Reinvestment risk refers to the possibility that an investor will be unable to reinvest cash flows received from a new investment at a rate comparable to their current rate of return. RFL's exposure is assessed as stable.	← →	• Following the change in investment strategy in April 2024, RFL is now re-investing any maturities in floating rate notes. It is now exposed to the risk that interest rates drop significantly, meaning less return on investments and also potential future re-investment risks if rates continue to fall. • The Company actively reviews its investment mandate, working closely with the outsourced investment manager to minimise its reinvestment risk.

Key – Risk exposure:

← → Stable ↑ Increasing ↓ Decreasing

The Strategic Report on pages 2 to 29 is approved by the Directors

ADRIAN SMITH
Chief Executive

17 July 2024

GOVERNANCE

CONTENTS

INTRODUCING OUR BOARD

OUR COMMITTEES AND COMMITTEE CHAIRS

The Board has delegated certain responsibilities to the four Committees detailed 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 assessment process, and internal and external audit. Its remit also includes matters relating to whistleblowing and compliance with applicable regulations and legislation, including the Act.

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

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

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

GOVERNANCE FRAMEWORK BOARD OF DIRECTORS

Audit and Risk Committee
The Audit and Risk Committee is chaired by Judith Buttigieg.

Investment Committee
The Investment Committee is chaired by Donal Quaid.

Nomination Committee
The Nomination Committee is chaired by Lawrence M. Weiss.

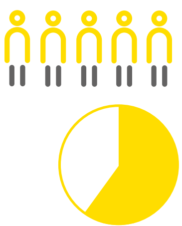
Remuneration Committee
The Remuneration Committee is chaired by Jenny Watson.

Find out more on pages 37 to 40.

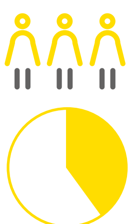
A full list of Directors who served during the year can be found in the Directors report on page 50.

BOARD COMPOSITION

5
MALE



3
FEMALE



THE BOARD IN ACTION

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

THE BOARD

AS AT 31 MARCH 2024

At the date of the approval of the Annual Report and Accounts, the Board of Directors was comprised as follows.

I N R

LAWRENCE M. WEISS
BA (Hons), MIA
Chair

Appointed: 11 July 2023

Experience: Lawrence served on the Board of UK Export Finance, the UK's export credit agency, including as Chair of the Audit Committee. He also served on the Audit and Risk Committee of the Department for International Trade. He was previously CEO of Bank Leumi (UK) plc and was Chair of its subsidiary companies. These positions followed nineteen years at Glencore UK Ltd., where Lawrence held the following positions: Chief Global Credit Risk Officer for the company's Energy Group, CFO and then CEO of TMR Energy Ltd. (a joint-venture between Glencore and TOTAL S.A.), Chair of the Trustees of the company's Pension Scheme, and Chair of the Trustees of the Glencore Foundation for Education and Welfare. Lawrence commenced his career in finance at The Chase Manhattan Bank in New York.

ADRIAN SMITH
OBE, MBA
Chief Executive

Appointed: 16 November 2010

Experience: Adrian was responsible for leading the project to establish Reclaim Fund Ltd during 2009/10 and was subsequently appointed as Chief Executive. He was previously a senior leader at Britannia Building Society, Bank of Ireland and Bristol & West Building Society and a former Non-Executive Director of Mutual Plus Ltd. Awarded an OBE for services to the financial sector in 2022, Adrian is a member of the Dormant Assets Expansion Board. Adrian is also a Trustee of the Plunkett Foundation.

A I

JUDITH BUTTIGIEG MA (Oxon), FCA
Non-Executive Director

Appointed: 13 February 2023

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

A I

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

Appointed: 19 December 2018

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

COMMITTEE MEMBERSHIP KEY

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

I

DONAL QUAID
CFA, MBA, MSc

Non-Executive Director

Appointed: 30 August 2022

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

N

SALEH SAEED
OBE

Non-Executive Director

Appointed: 14 December 2022

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

A I N R

HOLGER VIETEN
BSc (Hons), MSc, PhD

Non-Executive Director

Appointed: 21 April 2022

Experience: Holger joined the Board in 2022 as a Shareholder Representative Non-Executive Director. He is Director of the Financial Institutions Group at UK Government Investments ('UKGI'). He is also a Non-Executive Director of UK Asset Resolution. Before joining UKGI in 2018, Holger spent over 20 years advising financial institutions at investment banks including Morgan Stanley, Moelis & Co and Credit Suisse.

A N R

JENNY WATSON
CBE, BA, MA

Senior Independent Director

Appointed: 3 January 2019

Experience: Jenny joined the Board in 2019. She is Chair of Broadland Housing Association and of GAMSTOP. She is also a trustee of the Norfolk Community Foundation. Jenny started her career in the not-for-profit sector and has served as a board member of a number of public bodies, including as a past Chair of both the Electoral Commission and the Equal Opportunities Commission. Jenny was appointed Senior Independent Director in November 2023.

CORPORATE GOVERNANCE REPORT

Following the Company's change in ownership on 30 March 2021, RFL is required by its Shareholder to comply with the principles and provisions of the UK Corporate Governance Code 2018 ('the Code'). This was not a significant departure for the Company, as it had previously already followed the spirit of the Code on a voluntary basis. The Company therefore continues to embrace the requirements of good governance practices, applying the 'comply or explain' approach.

GOVERNANCE STRUCTURE

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

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

a. comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (as amended and updated from time to time) to the extent appropriate to the Company – or specify and explain any non-compliance in its annual report;

b. comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice to the extent appropriate to the Company;

c. comply with the government document Managing Public Money; and

d. take into account, as far as practicable, the codes of good practice and guidance set out in Appendix 6 of the Framework Document, as they apply to Arms' Length Bodies.

PURPOSE

The Framework Document sets out the broad governance framework within which the Company, the Shareholder, UK Government Investments ('UKGI') and the Department of Culture, Media and Sports ('DCMS'), in its joint policy role with the Shareholder, operate. It does not convey any legal powers or responsibilities.

COMMON OBJECTIVES

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

THE ROLE OF THE SHAREHOLDER

Ministerial responsibility

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

Board appointments

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

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

Delegated authorities

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

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

Other Shareholder-Reserved Matters

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

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

ROLES AND RESPONSIBILITIES OF THE BOARD

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

The Directors are committed to leading and controlling the Company effectively: using a framework of controls and policies; setting strategy and maintaining a rigorous decision-making process; 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 any future reclaims by Dormant Asset holders and the optimisation of payments to The National Lottery Community Fund for good causes. This has been an area of key focus in the last financial year, as the Board continues with the expansion programme to include other types of financial assets in the Dormant Assets Scheme.

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 five times during the year to 31 March 2024.

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

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

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

This year saw the retirement of Glyn Smith from the Board. During his tenure Glyn served as Chair of the Audit and Risk Committee and as Senior Independent Director, a post he had held since October 2020.
We are grateful to Glyn for his valuable contribution over the past eight years. Jenny Watson was subsequently appointed as the Senior Independent Director in November 2023 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.

The Code requirement to explain the actions the Board would take to consult with shareholders if there were a 20% vote against a Board recommendation for a resolution does not apply to RFL in the 2023/24 financial year, as there have been no instances where the Shareholder has voted against a resolution proposed by the Board.

BOARD MEETINGS

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

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

There is regular communication between the Directors, the Chair, the Chief Executive and the Company Secretary between meetings. When a Director is unable to attend Board or Committee meetings, issues can be raised with the Chair. The Chair holds a private session with the Non-Executive Directors after each Board meeting. Communication between Non-Executive Directors and management is encouraged between meetings. The Senior Independent Director meets annually with all of the Non-Executive Directors to appraise the Chair's performance, and on other occasions as necessary.

REGULAR BOARD BUSINESS

The Board receives reports from the Chief Executive, Chief Operating Officer, Chief Financial Officer 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 2023/24 the Board discussed, inter alia: the on-boarding of participants to the expanded Scheme and plans to further expand the Scheme under the 2022 Act, the distribution policy, the investment strategy, and risk management and governance matters.

With the introduction of the expanded Scheme under the 2022 Act, the key focus for the Board this year continued to be the Company's readiness for Scheme expansion across all new sectors, with a continued emphasis on communication and engagement with potential participants and industry bodies. The Board also focused on the implementation of a new technology solution to enhance RFL's processes and controls and improve participants' experience of working with RFL.

The Board also kept under regular review RFL's regulatory capital obligations and engagement with the FCA, the Company's reclaim risk model, policies and procedures, appropriate performance measures and corporate governance. The Board also continues to keep under review its own structure, skills and areas of expertise, and undertook a Board Effectiveness Review. As the Board is committed to addressing environmental concerns as part of its environmental, social and governance ('ESG') considerations, it also continues to monitor any climate-related disclosures it may consider appropriate or desirable to make, although it is currently exempt from any obligations to do so under either the Code or FCA requirements. The Board has committed to a target of net zero by 2050, as detailed within the Sustainability report.

The Board also considered RFL's culture, in particular the Board approved Management's proposal to expand RFL's values to include Evolution and Respect, as well as maintaining its existing values of Responsibility, Collaboration and Integrity.

BOARD COMMITTEES

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

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

A AUDIT AND RISK COMMITTEE

JUDITH BUTTIGIEG
Audit and Risk Committee Chair

During the year to 31 March 2024, the AARC comprised:
Judith Buttigieg (Chair from 11 July 2023)
Katherine Garner
Glyn Smith (Chair to 11 July 2023)
Holger Vieten
Jenny Watson

The Audit and Risk Committee ('AARC') receives reports from the Company's internal and external auditors, the Chief Risk Officer and the Risk and Compliance function. Its remit includes: matters relating to compliance with applicable regulations and legislation, including the 2022 Act; 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.

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

The AARC met five times during the year to 31 March 2024. At each meeting, the AARC received reports from the Chief Risk Officer and the internal auditors, including reports on individual audits undertaken. These reports informed the Committee's views when considering the annual assessment of the adequacy of the Company's systems of internal control. In addition, the internal auditors were asked to audit the capital adequacy review being carried out internally. As in previous years, the AARC reviewed the Annual Report and Accounts in detail, together with the external auditor's report thereon that included confirmation of the external auditor's independence. The AARC paid particular attention to process and control issues and considered key areas of accounting judgement, with emphasis on measurement and key assumptions, including the underlying methodology for calculating the best estimate in the provision for reclaims of dormant asset balances, with importance given to the new insurance and pension assets received in the year which have limited reclaim experience.

The Committee reviewed management's going concern and viability assessment and monitored the continuing impact of the global economic environment on the potential for changes to reclaim rates.

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

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

The Committee also reviewed the annual conclusion on the Governance, Risk and Control Framework report from internal audit that included consideration of financial, operational and compliance controls and supported the view that RFL has operated with an appropriate risk, governance and control framework throughout the period.

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 from both management and external experts. The AARC reviewed and supported management's proposal for communicating with the regulator on the Company's Individual Capital Guidance, which sets RFL's minimal capital requirement.

The Committee received a deep dive analysis from management on the cyber risk environment, RFL's risk exposure and the cyber risk strategy in place to manage this risk. The Committee discussed the strategic actions developed by management to continue to strengthen RFL's cyber risk position.

It also conducted an annual review of Participant agency agreements, and received reports on RFL's whistleblowing arrangements. The Committee satisfied itself that the whistleblowing arrangements in place were proportionate to the size of the business RFL operates and noted that there had been no whistleblowing incidents. The Committee met twice with each of the internal and external auditors, without the presence of management.

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

I INVESTMENT COMMITTEE

DONAL QUAID
Investment Committee Chair

During the year to 31 March 2024, the Committee comprised:
Donal Quaid (Chair)
Judith Buttigieg
Katherine Garner
Holger Vieten
Lawrence M. Weiss (from 11 July 2023)

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

The Committee met six times during the year to 31 March 2024. Despite higher inflation in the global economic environment, the Company's investments continued to remain relatively stable. Regular investment management and monitoring were provided by Goldman Sachs Asset Management in the year. As such it was not felt necessary or appropriate to meet more frequently during this period.

During the year, the Investment Committee undertook a review of RFL's Investment Strategy, utilising external expertise to appraise the current approach to investment risk. The review concluded that RFL continues to maintain a low investment risk appetite, and recommended some portfolio changes to further manage interest rate risk through the purchase of floating rate notes. The review was finalised in late March 2024, with implementation of the revised strategy scheduled for spring 2024.

The Investment Committee regularly reviewed reports from management on the internal processes and controls for the investment portfolio. The Company's investment portfolio continued to score highly in terms of sustainable investments.

N NOMINATION COMMITTEE

LAWRENCE M. WEISS
Nomination Committee Chair

During the year to 31 March 2024, the Committee comprised:
Lawrence M. Weiss (Chair) (from 11 July 2023)
Jane Hanson (Chair) (to 11 July 2023)
Saleh Saeed (from 16 November 2023)
Glyn Smith (to 30 November 2023)
Holger Vieten
Jenny Watson

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

The Committee met twice during the year to 31 March 2024, the frequency of meetings reflecting the need to ensure that the terms of the Framework Document are complied with, in particular as regards the Non-Executive Directors' recruitment process. Under the Framework Document, new Non-Executive Director appointments are subject to approval by the Shareholder, following approval by the Board and on the advice of the Nomination Committee. Director appointments and reappointments are overseen by the Nomination Committee, which meets to consider the engagement of appropriate external search firms (where applicable) and reviews long lists of candidates (with close involvement of the Shareholder, through its representative on the Committee), before a panel interview of final candidates. Proposals are then made to the Board for formal appointment. All Non-Executive Director appointments are subject to final approval by the Economic Secretary to the Treasury. Directors disclose any connections with external search firms used for any search as part of their declarations of interests made prior to each Committee or Board meeting.

As part of the recruitment process, the Board take into account other demands on Directors' time. At the time of the appointment of the Chair and Non-Executive Director, an independence assessment is carried out. RFL maintains a Conflict of Interest register that is reviewed at each Board meeting.

During the year the Committee recommended to the Board that Jenny Watson become the next Senior Independent Director (effective 30 November 2023), upon the retirement of Glyn Smith from the Board. The Committee also reviewed the proposed organisation design and management composition in light of the planned growth in the Dormant Assets Scheme. It reviewed the output from the Board Effectiveness Review, details of which are included on pages 41 and 42. The Committee considered the future composition of Non-Executive Directors required, taking into account the output of the Review and the associated Board skills matrix, in conjunction with the timings of Director reappointments and Directors' contractual terms.

The Committee is very conscious of the benefits of having diverse representation at Board level and considers this as part of succession planning. The Board exceeds the Hampton-Alexander target for female Directors and meets the Parker Review target in terms of ethnic diversity, however the Board recognises this is marginally below the Board approved target of 40% for female Directors. The Board is also very cognisant of the fact that teams are enriched when they have a diversity of skills and experience which, in turn, provides for a variety of different opinions and viewpoints.

R REMUNERATION COMMITTEE

JENNY WATSON
Remuneration Committee Chair

During the year to 31 March 2024, the Committee comprised:
Jenny Watson (Chair)
Jane Hanson (to 11 July 2023)
Glyn Smith (to 30 November 2023)
Holger Vieten
Lawrence M. Weiss (from 11 July 2023)

The Remuneration Committee considers and approves the remuneration arrangements for 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. The remuneration of the Chair is a matter reserved for the Shareholder. This is in accordance with the Framework Document and represents a conscious departure from the Code.

The Committee met five times during the year to 31 March 2024.

During the year, the Remuneration Committee reviewed the 2023/24 annual pay and variable remuneration awards for the Chief Executive, senior management and employees, and continued its work on reviewing the framework for the employee bonus scheme. It also reviewed the Remuneration Policy and the Directors' Expenses Policy. RFL operates a remuneration policy that is annually reviewed and approved by the Board upon the recommendation of the Remuneration Committee. The policy incorporates a Remuneration Framework that aims to support the attraction, recruitment, retention and motivation of a commercial Executive team, but which does not lead to excessive pay. Pay for staff is discussed and debated in the Remuneration Committee, with any recommendations submitted to the Board for approval.

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

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

Benchmarking is conducted on a periodic basis and in more depth where there is a need to better understand the market, skills and pay ranges.

Further details of the Remuneration Committee and its work are set out in the Remuneration and Staff report on page 44.

ATTENDANCE

The following table sets out the number of Board and Board Committee meetings each Director was eligible to attend (number in brackets) along with the actual meetings attended during the year to 31 March 2024.

	Board	Audit and Risk Committee	Investment Committee	Nomination Committee	Remuneration Committee
Judith Buttigieg[1]	4(5)	4(5)	5(6)	–	–
Katherine Garner	5(5)	4(5)	5(6)	–	–
Jane Hanson (to 31 August 2023)	2(2)	–	–	–	3(3)
Donal Quaid	4(5)	–	6(6)	–	–
Saleh Saeed	5(5)	–	–	1(1)	–
Adrian Smith	5(5)	5(5)	5(6)	2(2)	5(5)
Glyn Smith (to 30 November 2023)	2(2)	4(4)	–	1(1)	4(4)
Holger Vieten[2]	5(5)	5(5)	6(6)	2(2)	5(5)
Jenny Watson	5(5)	5(5)	–	2(2)	5(5)
Lawrence M. Weiss[3]	4(4)	–	2(2)	2(2)	2(2)

1 Judith Buttigieg was appointed as Chair of the Audit and Risk Committee in July 2023.

2 Holger Vieten is the Shareholder-nominated Non-Executive Director. In the period to 16 May 2024 an Alternate nominated Non-Executive Director was in place should Holger be unable to attend, with only one of these Directors being required to be present for the meetings to be quorate. At no point during the period to 16 May 2024 was the Alternate Director required. On 16 May 2024 UK Government Investments, HM Treasury and RFL agreed to remove the requirement for an Alternate Director, with RFL's Articles of Association and Framework Document amended to reflect this change.

3 Lawrence M. Weiss was appointed as Chair of the Board from 11 July 2023.

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 Board actively encourages the ongoing professional development of the Directors. During the year under review, training sessions were held on cyber security, responsibilities of Non-Executive Directors in public bodies and the development of expanded Dormant Assets. Training sessions on diversity and inclusion, ESG, and continued sessions on Scheme expansion and cyber security are planned for 2024 and 2025.

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. In spring 2024 RFL undertook a full tender of company secretariat services with Elemental CoSec Limited being appointed on 16 May 2024.

BOARD AND BOARD COMMITTEE EVALUATION

In accordance with the Corporate Governance code, the Board undertakes a full independent review of its effectiveness and that of its Committees every three years, with a high-level internal review being undertaken in the intervening years.

The Board conducted an independent Board Effectiveness Review from December 2023 to February 2024. Independent Audit Limited ('IAL') was appointed to conduct the review. IAL is independent of the Board and has no connections with any Board members.

The work included a review of Board and Committee papers, interviews with members of the Board and management, the Company Secretary, and specified external advisors, alongside the observation of a number of Board and Committee meetings including the Board Strategy Day. The review also considered the minor findings from last year, namely the duplication of papers circulated to Committee and the Board, which have since been addressed.

Scope

IAL subsequently performed an analysis of its observations and drew out learnings, producing a draft report which was discussed with the Chairman and Chief Executive Officer. A Quality assurance review was performed by an IAL director who was not otherwise involved in the review.

Aligned with best practice, IAL analysed the Board composition from the perspectives of skills and experience as well as diversity and Board succession readiness.

The review did not identify areas where the governance arrangements at RFL do not meet the requirements of the Code. The review concluded that the quality of Board papers is generally high, with progress being made on their clarity and conciseness. IAL noted that Directors represent an appropriate mix of functional and sectoral knowledge, skills and experience. Succession has been handled well, and the opportunity taken to refresh the Board with committed and experienced Directors from diverse backgrounds.

Findings

The main findings from the review centred on the role of the Board as RFL embarks on Scheme expansion. In particular, the review highlighted that the Board should continue to support and challenge management in building the organisation and delivering the dormant assets expansion. This will require setting a clear approach to navigating the stakeholder ecosystem given the breadth of organisations RFL engages with. The review recommended that the Board should consider adjusting its focus to be more strategic in light of the growth journey RFL envisages. IAL recommended continued monitoring of Board capacity as well as planning for succession. IAL noted that positive dynamics were evident in the organisation, given that the Executives and all seven Non-Executive Directors expressed pride in RFL and in being associated with RFL's social purpose and the good causes it supports.

The Board discussed the findings of the Effectiveness Review at the March 2024 Board meeting. An action plan has been developed which is being tracked to ensure closure of all actions over the next twelve months. A number of points have already been addressed, namely the formation of a succession plan and additional Board training to support navigating the wider dormant assets ecosystem.

OWNERSHIP

RFL is ultimately owned by the Treasury Solicitor as nominee for HM Treasury.

SHAREHOLDER ENGAGEMENT

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

EXTERNAL AUDIT

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

RFL has a non-audit work policy that establishes the principles by which it is able to appoint the external and internal auditors for non-audit services. The policy also establishes a framework governing the process by which non-audit services are approved. The AARC reviews this policy on a triennial basis. No non-audit services were provided by the external auditors during 2023/24.

INTERNAL AUDIT

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

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

The AARC carries out a formal review of the effectiveness of the outsourced internal audit function every three years. The last formal review of the internal audit function was held in January 2022 and the next review will be conducted in early 2025.

Internal audit also acts as a source of constructive advice and best practice, assisting senior management with its responsibility to improve the processes by which business risks are identified and managed. Internal audit representatives are always invited to attend Audit and Risk Committee meetings. They attended four out of five in the course of the financial year, also holding private-session meetings with the AARC without management present.

Internal audit reports are submitted to, and significant issues arising are considered at, the AARC. No non-audit services were provided by the internal auditors during 2023/24.

THE EXECUTIVE TEAM

It is the responsibility of the Executive team to implement the strategic objectives agreed by the Board. The Executive 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 primary responsibility for identifying the key business risks facing the organisation.

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

The risk management framework includes an ongoing process for identifying, evaluating and managing significant risks (including emerging risks) and has been in place for the whole period under review and up to the date of the approval of the Annual Report and Accounts. The Board considered and agreed with the assessment by the AARC that financial, operational and compliance controls had operated with an appropriate risk, governance and control framework throughout the period. Further detail is provided in the Risk Management section of the Strategic report on pages 26 to 29.

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 51.

In addition to performing a review of the going concern status of the Company, the Directors have also, in accordance with the Corporate Governance Code, assessed its prospects over the period to 31 March 2027. A period of three future years has been selected to be short enough to be reasonably assessable but long enough to reflect RFL's risk profile. Three years also reflects the time period over which RFL produces its Annual Operating Plan, which is supported by three-year forecasts from Scheme participants.

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

Liquidity and capital management forecasting are a key part of the risk management framework of RFL and incorporate stress and scenario tests designed to produce a comprehensive assessment of current and projected liquidity and capital positions. The process has assisted RFL in evaluating, over the period to 31 March 2027, 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 in which plausible economic, regulatory and technological developments are modelled to reflect a substantial fall in transfers into the Scheme and an increase in reclaim rates. As part of the stress testing, the scenarios take into consideration amounts already committed for distribution by RFL, and the additional costs of administering such large reclaims. A reverse stress test exercise was also performed. This test involved an assessment of the extent to which reclaim rates would need to increase before the Company would be unable to meet liabilities as they fall due. The Directors concluded that the likelihood of such a scenario occurring was extremely remote.

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

In light of the change in classification to a Non-Departmental Public Body, in early 2021 the Board received correspondence from the Economic Secretary to the Treasury setting out HM Treasury's intention for RFL to remain operationally independent under its new status. The Board is therefore confident that its discretion as regards the amount of distributions remains unchanged.

Based on the results of the liquidity and capital management forecasting, and the assessment of the Company's legal position, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2027.

On behalf of the Board of Directors

LAWRENCE M. WEISS
Chair

17 July 2024

REMUNERATION AND STAFF REPORT

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

The report has been prepared under the Government Financial Reporting Manual, known as the FReM. RFL employs a small team of 15 staff who carry out work to support the day-to-day operations of the business, fulfilling first and second line responsibilities. Given the limited number of staff employed, it is not appropriate to detail the organisational structure of the business, as many roles span a number of responsibilities, thereby reducing any key person dependency. During the year to 31 March 2024, RFL also sourced external resource to support the work required for onboarding new asset classes following the introduction of the 2022 Act, which has temporarily grown the number of staff working in the business. The disclosures in this report align to the requirements of being an Arm's Length Body whilst being proportionate to the size of RFL.

In this report, the disclosures on Directors' remuneration, pensions, fair pay, staff numbers, costs and exit payments have been audited. No other disclosures have been audited.

REMUNERATION POLICY

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

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

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

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

The Remuneration Policy is formally approved by the Shareholder.

DIRECTORS' EMOLUMENTS (AUDITED)

Details of the aggregate Directors' emoluments including employer pension contributions for the year ended 31 March 2024 and year ended 31 March 2023 are shown below. The aggregate emoluments including employer pension contributions of the Directors of Reclaim Fund Ltd for the year were £541k (year to 31 March 2023 – restated: £470k). The increase in emoluments reflects the conscious decision taken by the Board to take on two new Board members in the first six months of 2023 prior to the departure of the Chair of the Board and Chair of the AARC to allow a smooth handover. The financial year to 31 March 2024 includes a full year of Directors fees which differs from the prior year where Directors joined mid-way through the year. The fees for Non-Executive Directors include only those for whom the Company incurs the direct cost. The level of remuneration paid by the Company to the non-governmental Non-Executive Directors reflects the time commitment and responsibilities of the role. The Shareholder-appointed Non-Executive Directors do not receive any fees.

Year ended 31 March 2024	Salary/fees[6] (£'000)	Performance-related pay[1] (£'000)	Pensions contributions[3] (£'000)	Benefits in kind[4,5] (£)	Total for the 12 months (£'000)	FYE[7] (£'000)
Executive Director						
Adrian Smith[2]	195-200	60-65	20	9,000	290-295	
Non-Executive Directors' Fees						
Donal Quaid	30-35	–	–	–	30-35	
Glyn Smith (to 30 November 2023)	20-25	–	–	2,500	25-30	(35-40)
Jane Hanson (to 31 August 2023)	15-20	–	–	2,100	20-25	(45-50)
Jenny Watson (Senior Independent Director from 30 November 2023)	30-35	–	–	200	30-35	(35-40)
Judith Buttigieg	30-35	–	–	2,400	35-40	
Katherine Garner	25-30	–	–	4,300	30-35	
Lawrence M. Weiss (from 11 July 2023)	30-35	–	–	900	30-35	(45-50)
Saleh Saeed	25-30	–	–	3,000	30-35	

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

1 Performance-related pay is based on financial and non-financial performance targets and aligns with the period disclosed – see more detail below.

2 This represents emoluments plus employer pension contributions of the highest paid Director of £293k (2022/23: £282k).

3 During the year one Director (2022/23: one) was a member of a money purchase pension scheme.

4 Benefits in kind for the Executive Director are in respect of a car allowance.

5 Benefits in kind for Non-Executive Directors relate to travel, accommodation and subsistence, on which Pay As You Earn tax and National Insurance contributions are payable.

6 Salary includes gross salary. All other forms of remuneration are separately disclosed in the table above.

7 Full Year Equivalent ('FYE') only shown for Directors who served for a part of the year.

SENIOR PAY

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

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

PERFORMANCE-RELATED PAY

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

Bonus payments are based on performance levels achieved in the years to 31 March 2024 and 31 March 2023 respectively.

FAIR PAY DISCLOSURES (AUDITED)

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

The banded remuneration of the highest paid Director employed by RFL in the year was £290-295k[1] (full-year equivalent 2022/23: £280-285k). This was 6.7 times (2022/23: 5.2 times) the median remuneration of the workforce, which was £40-45k (2022/23: £50-55k).

In 2023/24, no employees received remuneration in excess of the highest paid Director (2022/23: none). Staff remuneration ranged from £20-25k to £290-295k (2022/23: £25-30k to £280-285k).

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

	Year to 31 March 2024		Year to 31 March 2023	
	Salary component	Total remuneration[1]	Salary component	Total remuneration
Band of highest paid Director's total remuneration (£'000)	195-200	270-275	190-195	260-265
Median remuneration (£'000)	35-40	40-45	45-50	50-55
Ratio		6.7		5.2
25th percentile remuneration (£'000)	25-30	30-35	30-35	30-35
Ratio		9.1		8.6
75th percentile remuneration (£'000)	50-55	55-60	55-60	60-65
Ratio		4.6		4.0

1 In accordance with the requirements of the FReM, the table above excludes employer pension contributions and thus does not correlate with the banded remuneration disclosures above.

With a small but growing team, fair pay ratios can change significantly between years when new staff come into the business. The increase in the majority of ratios reflects a combination of leavers in the year earning higher than median pay and the remuneration received by the new members of staff who joined RFL in the past year earning lower than median pay.

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

STAFF NUMBERS AND RELATED COSTS (AUDITED)

The average number of full-time equivalent persons employed in 2023/24 was 15 (2022/23: 14). Permanent and full-time equivalent staff costs exclude Non-Executive Directors and contractors.

	31/03/2024 £'000	31/03/2023 £'000
Staff costs comprise:		
Wages and salaries	960	1,100
Social security costs	147	134
Other pension costs	85	81
Total staff costs – representing staff with a permanent (UK) employment contract with RFL	**1,192**	1,315
Full-time equivalent persons employed – representing staff with a permanent (UK) employment contract with RFL: average for the year	15	14

PERCENTAGE CHANGE IN TOTAL SALARY AND BONUSES FOR THE HIGHEST PAID DIRECTOR AND THE STAFF AVERAGE (AUDITED)

The 2023/24 salary and allowances pay change for staff and the highest paid Director are aligned, with the difference reflecting a small number of internal promotions in the business. The 2023/24 change in bonus payments for the highest paid Director and staff average are aligned, with both being linked to Company and individual performance.

	2023/24		2022/23	
	Total salary and allowances	**Bonus payments[1]**	Total salary and allowances	Bonus payments[2]
Staff average	6%	–	18%	4%
Highest paid Director	4%	(2%)	3%	8%

1. Bonus payments in the year reflect the average percentage change from the previous financial year in respect of the highest paid Director and the employees of the entity taken as a whole.
2 Numbers disclosed for FY 2022/23 reflect the best known estimate for the change in the staff average bonus. Actual bonus payments subsequently reflected an 8% year on year increase.

PENSIONS

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

STAFF TURNOVER

During the year two members of permanent staff left the Company (2022/23: one).

Staff turnover, as defined in the Government Reporting Framework, requires disclosure for all changes to permanent staff and fixed-term contractors, which equated to two changes in staff in 2023/24 (2022/23: two). Disclosing the percentage change to staff turnover is not considered of benefit given the small numbers of staff involved.

SERVICE AGREEMENTS AND EXIT PAYMENTS (AUDITED)

Our policy is to employ Executive Directors on standard contracts of employment with a six-month employer notice period; Non-Executive Directors' notice periods are three months. There were no exit payments made in 2023/24 (2022/23: one).

MALE/FEMALE STAFF BREAKDOWN

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

	31 March 2024		31 March 2023	
	Male	**Female**	Male	Female
Non-Executive Directors	4	3	4	4
Executive Directors	1	–	1	–
Staff	3	12	3	10
Total	**8**	**15**	8	14

OFF-PAYROLL ENGAGEMENT

Off-payroll arrangements are engagements where staff, either self-employed or acting through an intermediary company, are paid by invoice rather than via payroll. There were seven off-payroll engagements during 2023/24 (2022/23: six).

The tables below show off-payroll engagements by RFL to 31 March 2024 for more than £245 per day. There have been no Directors and/or senior officials with significant financial responsibility engaged in off-payroll roles for 2023/24 and 2022/23.

All off-payroll appointments in place, earning at least £245 per day	**31 March 2024**	31 March 2023
That have existed for less than 1 year at reporting date	2	1
That have existed between 1 and 2 years at reporting date	1	3
That have existed between 2 and 3 years at reporting date	3	–
That have existed between 3 and 4 years at reporting date	–	–
That have existed for 4 or more years at reporting date	–	1
Total	**6**	5

All off-payroll appointments in place at any point during the period and earning at least £245 per day	**12 months to 31 March 2024**	12 months to 31 March 2023
Number where the off-payroll legislation does not apply	–	–
Number where off-payroll legislation does apply and assessed as within scope of IR35	–	–
Number where off-payroll legislation does apply and assessed as not within the scope of IR35	7	6
Number of appointments that were reassessed for consistency/assurance purposes during the year	–	–
Of which: Number of engagements that saw changes to the IR35 status following the assurance review	–	–
Total	**7**	6

CONSULTANTS

Total expenditure on external consultants during the year amounted to £904k (2022/23: £726k). Contractor fees have increased due to Interim contracts for the COO and CRO.

STAFF SICKNESS ABSENCE (ANNUAL WORKING DAYS LOST)

The average working days per employee lost to sickness absence during 2023/24 were 3.2 days (2022/23: 1.3 days).

MENTAL HEALTH AND WELLBEING

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

EQUAL OPPORTUNITIES

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

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

Diversity and Inclusion approaches and targets feature in the RFL Sustainability ESG Framework. The FCA's proposed diversity and inclusion targets set out in its recent consultation paper (CP23/20 Diversity and inclusion in the financial services sector – September 23) is considered to be best practice and is adopted by RFL and reflected in its risk appetite. The paper builds on the consultation paper CP 21/20 issued in July 2021 on diversity and inclusion targets on company boards and executive committees.

Within RFL's Equal Opportunities, Diversity & Inclusion policy, the Board has agreed diversity and inclusion targets which aim to:

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

During 2023/24, RFL achieved the target on ethnicity, with the 40% female representation on the Board being marginally less than the 40% target. The wider organisation aims to reflect these targets across business leadership teams as well as in the wider team. RFL's expansion plans are an opportunity to realise RFL's targets.

RFL's role as an Arm's Length Body within the UK Government provides access to a range of guidance around government-wide corporate legislation, codes of good practice and guidance. A key element of RFL's values is its application of the Equalities Act 2010.

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

HEALTH AND SAFETY

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

DIRECTORS' REPORT

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

The composition of the Board during the year is set out in the Corporate Governance report within the Governance section of this Annual Report and Accounts.

EMPLOYEES
The average number of employees during 2023/24 was 15 (2022/23: 14).

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

FINANCIAL INSTRUMENTS
Financial risk management objectives can be found in the risk management note on page 79 in the Notes to the Financial Statements.

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

A statement by the Directors as to their responsibilities for preparing the Annual Report and Accounts is included in the Statement of Directors' responsibilities in the subsequent section of this Annual Report and Accounts.

The Directors of the Company during the period 1 April 2023 to 17 July 2024 were:

NON-EXECUTIVE DIRECTORS
Judith Buttigieg
Katherine Garner
Jane Hanson (Chair) (to 31 August 2023)[1]
Donal Quaid
Saleh Saeed
Glyn Smith (to 30 November 2023)[2]
Holger Vieten
Jenny Watson
Lawrence M. Weiss (Chair) (from 11 July 2023)

EXECUTIVE DIRECTOR
Adrian Smith (Chief Executive)

DISTRIBUTIONS
Under the Act, the only distributions the Company is permitted to make are to The National Lottery Community Fund ('TNLCF'). During the year £90.4m of distributions were paid to TNLCF (2022/23: £91.8m).

No dividend distributions were made to the parent, the Treasury Solicitor for the Affairs of His Majesty's Treasury, in its capacity as nominee for HM Treasury, 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 both normal and stressed scenarios. This includes consideration of realistic scenarios whereby plausible economic, regulatory and technological developments are modelled to reflect a dramatic fall in transfers into the Scheme and an increase in reclaim rates.

Based on the above and noting the considerable cash headroom even under a reasonable stress, the Directors believe that the Company will be able to meet liabilities as they fall due for a period of at least one year from the date of approval of the Financial Statements and therefore they 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 (2022/23: £nil).

MATTERS COVERED IN THE STRATEGIC REPORT
All mandatory disclosures which the Directors consider to be of strategic importance are disclosed in the Strategic report.

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

By order of the Board

ADRIAN SMITH OBE
Chief Executive

17 July 2024

Reclaim Fund Ltd
Registered number: 07344884

1 Jane Hanson stepped down as Chair of the Board on 11 July 2023, with Lawrence M. Weiss taking up the post from this date. She remained a Non-Executive Director until the resignation date.

2 Glyn Smith stepped down as Chair of the Audit and Risk Committee on 11 July 2023, with Judith Buttigieg taking up the post from this date. He remained a Non-Executive Director until the resignation date.

STATEMENT OF DIRECTORS' AND ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

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

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ('IFRS') is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the Annual Report and Accounts, state whether UK Adopted IAS have been followed, subject to any material departures disclosed and explained in the Annual Report and Accounts;
- prepare the Annual Report and Accounts on the going concern basis unless it is appropriate to presume that the Company will not continue in business; and
- prepare the information and disclosures required by the Dormant Bank and Building Societies Accounts Act 2008 and the 2022 Act.

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

Each of the Directors confirms that, to the best of their knowledge and belief:

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

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

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

The Accounting Officer of HM Treasury has designated RFL's Chief Executive Officer as the Accounting Officer of RFL. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding RFL's assets, are set out in Managing Public Money, published by HM Treasury.
In preparing the Financial Statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual where this requires additional disclosure that does not conflict with IFRS and the Companies Act, and in particular to:

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

ADRIAN SMITH OBE
Chief Executive,
on behalf of the Board

17 July 2024

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

The accounts of RFL are audited by the Comptroller and Auditor General under the terms of the Framework Document.

The audit fee charged (exclusive of VAT) was £170k (2022/23: £150k). The auditors did not provide any non-audit services. The auditors have been provided with all relevant audit information necessary to complete their audit and the Accounting Officer has taken all of the necessary steps to ensure that the auditors are aware of any relevant information.

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

RFL has not incurred any losses or special payments requiring disclosure, nor made any gifts during the reporting year to 31 March 2024 (31 March 2023: none) (audited).

In accordance with the terms of the Act, RFL has inherited the liability for all dormant balances transferred from participants and as such recognises remote contingent liabilities totalling £1,117.6m (2022/23: £973.9m) (audited); this balance represents the remaining exposure that RFL may be required to settle above and beyond the amounts already set aside within the provision for reclaims and capital reserves.

ADRIAN SMITH OBE
Chief Executive

17 July 2024

INDEPENDENT AUDITOR'S REPORT

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

OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements of Reclaim Fund Ltd for the year ended 31 March 2024, which comprise Reclaim Fund Ltd's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion the financial statements:

- give a true and fair view of the state of Reclaim Fund Ltd's affairs as at 31 March 2024 and of the retained surplus for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON REGULARITY

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

BASIS FOR OPINIONS

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

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

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

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

Framework of Authorities

Authorising legislation	Companies Act 2006
Parliamentary authorities	Dormant Bank and Building Society Accounts Act 2008 Dormant Assets Act 2022[1]
HM Treasury and related authorities	Managing Public Money Framework Document between HM Treasury and Reclaim Fund Ltd dated 16 April 2021.
Regulatory Authorities	Financial Conduct Authority regulation

1 Collectively, Dormant Assets Acts 2008 to 2022.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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

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

OVERVIEW OF MY AUDIT APPROACH

KEY AUDIT MATTERS

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

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

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of fraud through management override of controls or Reclaim Fund Ltd's implementation of a new general ledger system on 1 April 2023, areas where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out on page 37.

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

- As a result of the Dormant Assets Act 2022, which expanded the scope of the scheme, Reclaim Fund Ltd has recognised £21.4 million receipts relating to dormant Insurance and Pension assets in the year to 31 March 2024 (31 March 2023: £nil). Within the existing reclaim provision significant risk, I recognised a new risk of material misstatement around the assumptions made by Reclaim Fund Ltd in determining the provision for reclaims relating to the insurance and pension asset receipts.
- In the year to 31 March 2024, Reclaim Fund Ltd recognised additions to investment securities of £1.5 million (31 March 2023: £167.7 million), which is immaterial. I therefore did not recognise a significant risk relating to investment security additions although I continued to recognise a significant risk relating to de-recognitions and the investment securities balance overall remains a key audit matter.
- I recognised a significant risk relating to Reclaim Fund Ltd's implementation of a new general ledger system on 1 April 2023. I did not consider this a key audit matter as the work required to obtain assurance that it had been implemented effectively was not complex or judgemental, nor did it take significant resource to complete.

Description of risk	How the scope of my audit responded to the risk
RECLAIM PROVISIONS	
Dormant account balances are transferred to Reclaim Fund Ltd from UK financial institutions under the Dormant Assets Acts 2008 to 2022. Under the requirements of the Acts, the obligation to repay dormant account holders who subsequently reclaim their money is transferred to Reclaim Fund Ltd. As at 31 March 2024, Reclaim Fund Ltd recognised a provision for reclaims of £170.6 million (31 March 2023: £168.5 million) in respect of dormant bank and building society accounts and £3.4 million (31 March 2023: £nil) relating to dormant insurance and pension assets following the Dormant Assets Act 2022. The provision for reclaims of all dormant account balances is the main source of estimation uncertainty in the financial statements. For the provision for reclaims of dormant bank and building society asset balances, I identified significant risks of material misstatement around the method and model used to calculate the provision, assumptions made by management and the completeness and accuracy of disclosures made around estimation uncertainty. In the year ended 31 March 2024, Reclaim Fund Ltd estimated the provision for reclaims of dormant insurance and pension assets for the first time, and I identified a significant risk around the assumptions made by management in determining the provision. As explained in note 1 to the financial statements, management has measured the dormant bank and building society account provision using an actuarial model developed by experts which forecasts future cash flows based on historic experience of reclaims observed (the "base model"). Reclaim Fund Ltd adds an additional margin to reflect that historic reclaims have been in a benign environment and may not be indicative of future expectations. The assumptions made in measuring the provision, particularly in relation to the additional margin are an area of significant management judgement. As disclosed in note 1 to the financial statements, Reclaim Fund Ltd considers the measurement of the provision to be inherently complex with significant estimation uncertainty relating to the quantum of reclaims expected and the time period over which reclaims will continue. Reclaim Fund Ltd sets out in Note 1 to the financial statements that for the dormant insurance and pension asset receipts, it does not have historic information on reclaims to use as a basis for measuring the associated provision. Reclaim Fund Ltd has used the banks and building society data to estimate expected future reclaims for the insurance and pension assets to determine an overall reclaim rate for the amounts received. This rate has then been applied to the receipts relating to dormant insurance and pension assets.	I tested the design and implementation of key controls including the controls and governance in place over the best estimate model and additional margin for the dormant bank and building societies sector provision, and over assumptions made in both estimates. I also performed the following procedures to address the significant risks of material misstatement: For the dormant bank and building societies sector provision: • I assessed the approach to measuring the provision against the requirements of IAS 37 to determine a best estimate of the expenditure required to settle the obligations. • I engaged an independent actuary as an auditor's expert to assess the methodological approach taken by management's experts to determine the best estimate of both provisions. • I assessed the actuarial experts used by management under ISA 500 Audit Evidence to enable me to use their work as audit evidence. • I assessed the application of the methods used to calculate the base model by using my auditor's expert to develop a challenger model to estimate the model output at the reporting date. • I tested the application of methods used to calculate the additional margin by reperforming management's calculations. • I evaluated the overall provision calculated by management against a range developed by my auditor's expert. • I assessed the completeness and appropriateness of significant assumptions in both the base model and additional margin using my auditor's expert. My auditor's expert also reviewed the approach to determining the additional margin including the rationale for key judgements and the reasonableness of the assumptions made. • I evaluated management's assessment of estimation uncertainty and related disclosures. For the insurance and pension sectors provision: • I assessed the appropriateness of the assumptions made in collaboration with my auditor's expert. In addition to the procedures required to address the significant risks of material misstatement, for both provisions I tested the completeness and accuracy of the input data used in the base model by testing a sample of transfers of dormant account balances and reclaims and reconciling these to the financial statements and input data used in the model. In addition, for the insurance and pension sector I confirmed that it had been recognised in line the requirements of IAS 37, and evaluated the method and model used to determine the provision and reviewed the related disclosures in the financial statements.

Key observations

I have obtained sufficient assurance over this risk through my substantive testing. I did not identify significant misstatements in the reclaim provision at 31 March 2024 as a result of the work I have performed.

Description of risk	How the scope of my audit responded to the risk
INVESTMENT SECURITIES	
Reclaim Fund Ltd has a policy to invest in high grade investment securities with the objective that in the long term it will have sufficient assets to meet its liabilities as they fall due. Reclaim Fund Ltd holds its investments to maturity to collect the contractual cash flows which arise. At 31 March 2024, Reclaim Fund Ltd held investment securities recognised at amortised cost of £331.0 million (31 March 2023: £446.7 million). In the 12 months to 31 March 2024, £116.2 million (31 March 2023: £150.6 million) investments matured; these were therefore derecognised. In the same period, Reclaim Fund Ltd purchased £1.5 million (31 March 2023: £167.7 million) of new investment securities. Reclaim Fund Ltd manages its investments through an investment manager and asset custodian. Turnover in the portfolio due to investments maturing is significant to the financial statements. The higher level of risk associated with this movement meant I recognised a significant risk of material misstatement in respect of derecognitions of investments in the year ended 31 March 2024. My audit work also considered the valuation of the portfolio at the year end, and the expected credit loss recognised by Reclaim Fund Ltd in line with IFRS 9 Financial instruments, which I did not consider to be significant risks of material misstatement.	I tested the design and implementation of key controls, including controls operated by the investment manager and asset custodian, who I considered to be service organisations under ISA 402 Audit considerations relating to an entity using a service organisation. I also performed the following procedures to address the significant risks of material misstatement: • I agreed the transactions and balances in the financial statements to reports provided to Reclaim Fund Ltd by its asset custodian and fund manager. • I tested all investments which had matured to confirm that they had occurred and had been appropriately removed from the financial records at the correct valuation. In addition to the procedures required to address the significant risks of material misstatement: • I developed a model to reperform the calculation of the amortised cost of the investment portfolio at the year-end. • I agreed the fair value of the investments disclosed by management to independent sources to confirm the disclosure was materially accurate. • I evaluated management's method to calculate the expected credit loss on the investment portfolio, including consideration of the data and assumptions used.
Key observations I have obtained sufficient assurance over this risk through my substantive testing. I did not identify significant misstatements in the investment securities balance as a result of the work I have performed.	

APPLICATION OF MATERIALITY

MATERIALITY

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

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

	Audited Entity
Materiality	£8,700,000
Basis for determining materiality	1% of total assets of £876.4 million (31 March 2023: £728.1 million)
Rationale for the benchmark applied	I have based materiality on total assets on the basis that this represents the assets received from dormant account holders and under the control of Reclaim Fund Ltd's and therefore available to repay reclaims from dormant account holders or for making future distributions subject to the company complying with its regulatory capital requirements. I assess this to be the primary interest of the key users of the accounts including participant banks, dormant account holders and The National Lottery Community Fund.

PERFORMANCE MATERIALITY

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2023-24 audit (2022-23: 75%). In determining performance materiality, I have considered the uncorrected misstatements identified in the previous period.

OTHER MATERIALITY CONSIDERATIONS

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

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

ERROR REPORTING THRESHOLD

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £87,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

The net impact of unadjusted differences on the Statement of Comprehensive Income and Statement of Financial Position was £nil (2022-23 £nil).

AUDIT SCOPE

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

OTHER INFORMATION

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

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

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

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

I have nothing to report in this regard.

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

OTHER MATTERS

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury's Government Financial Reporting Manual; and
- the parts of the Annual Report subject to audit have been properly prepared in accordance with HM Treasury's Government Financial Reporting Manual.

MATTERS ON WHICH I REPORT BY EXCEPTION

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

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

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- whether the Governance Statement does not properly disclose a departure from the requirements of the UK Corporate Governance Code identified through the audit procedures.

CORPORATE GOVERNANCE REPORT

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

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 50;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on pages 43;
- Directors' statement on fair, balanced and understandable set out on pages 51;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 26 to 29;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 42; and
- The section describing the work of the audit and risk committee set out on page 37.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Reclaim Fund Ltd from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- preparing the information and disclosures required by the Dormant Assets Acts 2008 to 2022;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, in accordance with the Companies Act 2006;
- preparing the Remuneration and Staff Report, which is included in the Annual Report, in accordance with the Government Financial Reporting Manual; and
- assessing Reclaim Fund Ltd's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING NON-COMPLIANCE WITH LAWS AND REGULATIONS INCLUDING FRAUD

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO NON-COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING FRAUD

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

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

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

I obtained an understanding of Reclaim Fund Ltd's framework of authority and other legal and regulatory frameworks in which Reclaim Fund Ltd operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Reclaim Fund Ltd. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, Dormant Assets Acts 2008 to 2022, employment law and tax legislation and regulatory requirements imposed by the Financial Conduct Authority.

AUDIT RESPONSE TO IDENTIFIED RISK

To respond to the identified risks resulting from the above procedures:

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

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

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

OTHER AUDITOR'S RESPONSIBILITIES

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

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

STEPHEN YOUNG

18 JULY 2024

Senior Statutory Auditor

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

	Notes	**2023/24 £'000**	2022/23 £'000
Amounts received in respect of dormant accounts	4	240,985	143,392
Interest income	5	29,772	13,589
Interest expense	5	(358)	(174)
Net income		**270,399**	156,807
Operating expenses	3	(4,436)	(4,565)
Set-up costs for expansion of Dormant Assets Scheme	3	(1,320)	(3,100)
Provision expense for reclaims of dormant account balances	9	(26,723)	(7,888)
Operating result before distributions		**237,920**	141,254
Provision for future distributions to TNLCF	10	(143,407)	(90,374)
Surplus before taxation		**94,513**	50,880
Taxation charge	6	(5,925)	(1,139)
Retained surplus for the financial year		**88,588**	49,741
Other comprehensive income for the year		–	–
Total comprehensive income for the financial year		**88,588**	49,741

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

The notes on pages 66 to 80 form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Notes	**31 March 2024 £'000**	31 March 2023 £'000
Assets			
Cash and cash equivalents	8	545,922	280,691
Investment securities	7	330,959	446,689
Deferred tax asset	6	–	4
Trade and other receivables		239	314
Intangible assets		34	31
Plant and equipment		73	126
Right-of-use assets		176	207
Total assets		**877,403**	728,062
Liabilities			
Trade and other payables		995	1,137
Deferred tax liability	6	34	–
Lease liabilities		204	235
Provision for future distributions	10	143,407	90,374
Provision for reclaims of dormant account balances	9	173,941	168,490
Current income tax liability		2,797	389
Total liabilities		**321,378**	260,625
Capital and reserves			
Share capital	12	–	–
Capital reserve	12	556,025	467,437
Total equity		**556,025**	467,437
Total liabilities and equity		**877,403**	728,062

The notes on pages 66 to 80 form part of the Financial Statements.

Approved by the Board of Directors on 17 July 2024 and signed on its behalf by:

ADRIAN SMITH OBE
Chief Executive

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	**2023/24 £'000**	2022/23 £'000
Cash flows from operating activities			
Surplus before tax		**94,513**	50,880
Adjustments			
Amortisation of intangibles		15	7
Depreciation of plant and equipment		96	86
Depreciation of right-of-use asset		31	30
Increase/(decrease) in trade and other receivables		76	(50)
(Decrease)/Increase in accrued expenses		(141)	296
Change in provision for reclaims of dormant account balances	9	26,723	7,888
Additional provision for future distributions	10	143,407	90,374
Interest receivable	5	(29,772)	(13,589)
Interest expense paid on Participant reclaims	5	346	160
Interest expense paid on leases	5	12	14
Loss on disposal of investment securities	3	–	484
Movement on expected credit loss	3	(52)	164
Subtotal – cash flows from operating activities		**235,254**	136,744
Cash flows from operating activities			
Payments made in respect of Participant reclaims	9	(21,273)	(15,422)
Interest expense paid on Participant reclaims	5	(346)	(160)
Distribution payments	10	(90,374)	(91,756)
Corporation tax paid	6	(3,479)	(550)
Net cash flows from operating activities		**119,782**	28,856
Cash flows from investing activities			
Purchase of investment securities		(1,500)	(167,745)
Proceeds from maturity of investment securities		116,254	150,631
Proceeds from disposal of investment securities		–	2,832
Interest received		30,799	15,961
Purchase of plant and equipment		(43)	(40)
Purchase of intangibles		(18)	(19)
Decrease in lease liability		(43)	(43)
Net cash flows from investing activities		**145,449**	1,577
Net increase in cash and cash equivalents		**265,231**	30,433
Cash and cash equivalents at the beginning of the financial year		280,691	250,258
Cash and cash equivalents at the end of the financial year	8	**545,922**	280,691

The notes on pages 66 to 80 form part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	Share capital £'000	Capital reserve £'000	Total £'000
2023/24				
Balance at 1 April 2023		–	467,437	467,437
Total comprehensive income for the financial year		–	88,588	88,588
Balance at 31 March 2024	12	**–**	**556,025**	**556,025**
2022/23				
Balance at 1 April 2022			417,696	417,696
Total comprehensive income for the financial year		–	49,741	49,741
Balance at 31 March 2023	12	–	467,437	467,437

The notes on pages 66 to 80 form part of the Financial Statements.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

STANDARDS AND ACCOUNTING POLICIES ADOPTED BY THE COMPANY

The accounting policies applied in preparing these Financial Statements are consistent with those described in the 2022/23 Annual Report and Accounts.

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 was issued in April 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (subject to UK endorsement). RFL does not intend to early-adopt IFRS 18.

IFRS 18 sets out general and specific requirements for the presentation and disclosure of information in general purpose financial statements. The objective of IFRS 18 is to improve comparability of financial performance between organisations applying IFRS. Once effective, IFRS 18 will replace IAS 1 Presentation of Financial Statements. The impact of adopting this standard is still being assessed.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on RFL.

EXISTING POLICIES

Use of estimates and judgements

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

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

Significant areas of estimation uncertainty that have the most effect on the amounts recognised in the Annual Report and Accounts relate to the provisions for reclaims of dormant asset balances of £173.9m (2022/23: £168.5m). The provision for future distributions of £143.4m (2022/23: £90.4m) is also considered to be a key accounting judgement given the Board has total discretion over the amount of distributions. These are discussed below.

Provision for reclaims of dormant asset balances

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

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

Best estimate methodology

The best estimate methodology for calculating dormant assets is dependent on the quantity of historical reclaim information available for each sector. For bank and building society assets, RFL holds 13 years' worth of historical reclaim information, in significant contrast to the newer asset classes in the Insurance and Pensions sectors where only a small number of reclaims have been paid. The table below shows the split per sector.

Reclaim provision	31 March 2024 £'000	31 March 2023 £'000
Bank and Building Societies sector		
Main Scheme	170,400	168,321
Alternative Scheme	161	169
	170,561	168,490
Insurance sector	3,378	–
Pensions sector	2	–
At the end of the year	**173,941**	168,490

The approach to the sectors is detailed below:

BEST ESTIMATE FOR BANK AND BUILDING SOCIETIES SECTOR

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

The additional margin is calculated by considering the likelihood and average impact of a range of scenarios that could lead to an increase in reclaim rates. The average impacts from each scenario are combined and calibrated by taking into account the fact that an individual reclaim can only be made once, and not across several scenarios. The scenarios, likelihoods and impacts are reviewed annually by management through a facilitated workshop that gathers views from a range of external experts.

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

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

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

ASSUMPTIONS USED IN THE BEST ESTIMATE

The key assumptions within the best estimate as at 31 March 2024 are as follows:

1. Individual large amounts over £1m transferred to RFL are deemed to have a higher likelihood of reclaim, as to date there appears to be a relationship between reclaim size and reclaim proportion; and
2. The discount rate applied uses current government bond yields that reflects current market assessments of the time value of money. A discount rate of 4.0% was applied at 31 March 2024 (31 March 2023: 3.5%).

As explained in the accounting policy note above, there is an additional margin of 4% (2022/23: 5%) to allow for a potential expected increase in future reclaims compared to historical levels. The annual review identified that the most likely scenario is expected to have a marginally lower average impact on reclaims; however in extreme cases the impact is expected to be more severe, primarily due to the increased possibility of incorporating other data sources and artificial intelligence advances which could improve technology's effectiveness in enabling future reclaims.

With the exception of balances greater than £1m as described above, no dormant balance transfers are excluded from the source data input into the GLM, thereby ensuring all data is modelled irrespective of reclaim behaviour within the analysis. Transfers with either very high or very low reclaim rates are included to provide an accurate representation of the whole portfolio.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

SENSITIVITY ANALYSIS

The Board recognises the inherent sensitivities of the assumptions in the best estimate given the limited data available. The key sensitivities to the underlying assumptions in the best estimate as at 31 March 2024 and 31 March 2023 are included in the tables below. Were RFL to reduce the total amount set aside for reclaims from the amounts prescribed in the terms of its Individual Capital Guidance (set by the Financial Conduct Authority) there would need to be a broadly corresponding increase in the levels of capital held by RFL.

	Best estimate as at 31 March 2024 applying sensitivities £'000	**Change to best estimate as at 31 March 2024 £'000**	**Change to capital reserve as at 31 March 2024 £'000**
Current reclaim provision	170,561	–	–
The best estimate additional margin is higher by 1%[1]	190,190	19,629	(19,629)
The best estimate additional margin is lower by 1%[1]	150,932	(19,629)	19,629
Individual large balances deemed to have similar reclaim behaviour to lower balances	164,730	(5,831)	5,831
The discount rate is higher by 1%	166,735	(3,826)	3,826
The discount rate is lower by 1%	174,765	4,204	(4,204)

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

1 RFL has considered the sensitivity of the likelihood assumption to the range of scenarios that could lead to an increase in reclaim rates. Were the likelihood to change by +-10% this would have a corresponding impact of +-1% on the additional margin.

The additional margin is linear and thus increments of +/– 1% would proportionally change the provision by £19.6m. (2022/23: £17.4m). Further details on the movement in the provision for reclaims of dormant account balances are included in Note 9.

BEST ESTIMATE FOR INSURANCE AND PENSIONS SECTORS

Until such time as sufficient reclaim experience is known on these sectors to enable meaningful modelling of expected reclaims, the initial best estimate aligns to that of the bank and building societies' Scheme, being the expected reclaim rate over the lifetime of assets transferred to RFL. Any reclaims paid are offset against this, with an additional amount held as capital to cover possible severe reclaim events.

PROVISION FOR FUTURE DISTRIBUTIONS

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

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

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

GOING CONCERN

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

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

AMOUNTS RECEIVED IN RESPECT OF DORMANT ASSETS

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

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

INTEREST INCOME

Interest income from investments 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.

The basis of recognising interest income received from cash held in bank accounts is on a receipt basis.

PROVISIONS

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

TAXATION

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

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

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

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

CASH AND CASH EQUIVALENTS

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

FINANCIAL ASSETS

i Recognition and initial measurement

Investment securities are initially recognised when they are purchased. Investment securities are initially measured at fair value plus directly attributable transaction costs. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership.

ii Subsequent classification and measurement

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

a) Business model assessment

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

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

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

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

iii Impairment of investment securities

At each reporting period, in accordance with IFRS 9, management calculates the expected credit loss ('ECL') on the investment securities held. RFL has a credit downgrade and variation policy that defines a significant downgrade as being a reduction of two or more sub-grades, making clear the circumstances in which a lifetime credit loss requires calculation. Management considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', namely Baa3 or higher per Moody's or BBB- or higher per Standard and Poor's. If an investment security experiences a significant downgrade, then the lifetime credit loss is calculated.

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Twelve-month ECLs are applied where there has been no significant increase in credit risk.

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

iv Measurement of ECLs

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

CAPITAL RESERVE

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

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

2. RETAINED SURPLUS

	2023/24 Year to 31 March 2024 £'000	2022/23 Year to 31 March 2023 £'000
Retained surplus for the year is stated after charging:		
Auditor's remuneration excluding VAT		
– audit of these Financial Statements	170	150

Fees for both 2023/24 and 2022/23 are for external audit services provided by the National Audit Office.

3. OPERATING EXPENSES

The average number of employees during the year was 15 (2022/23: 14). A breakdown of the operating expenses for the years 2023/24 and 2022/23 is shown in the table below:

	2023/24 31 March 2024 £'000	2022/23 31 March 2023 £'000
Staff costs		
– Wages and salaries	960	1,100
– Social security costs	147	134
– Pension costs	85	81
	1,192	1,315
Non-Executive Directors' fees	233	183
Professional services	1,397	1,260
FCA fees and FSCS levies	22	20
IT and communication costs	619	269
Premises costs	89	63
Miscellaneous expenses	244	192
Depreciation and amortisation	141	124
Loss on disposal of investment securities	–	484
Investment management fees	551	491
Expected credit loss movement	(52)	164
Total operating expenses	**4,436**	4,565

Further additional costs of £1.3m have been incurred over the year (2022/23: £3.1m) for Scheme expansion and consist of project management fees, business consultancy and legal support on the new transfer and agency agreement ('TAA') in place for the new Scheme, and regulatory advice.

Full details of the Executive and Non-Executive Directors' remuneration, including reporting required by the Companies Act 2006, are included within the Remuneration and Staff report on page 44.

4. AMOUNTS RECEIVED IN RESPECT OF DORMANT ASSETS

During the year to 31 March 2024, £241.0m (year to 31 March 2023: £143.4m) was received in respect of dormant account funds. A detailed analysis of receipts by Participant is provided below:

Participant income	2023/24 £'000	2022/23 £'000
Bank and Building Societies sector		
Main Scheme	219,371	142,937
Alternative Scheme	188	455
Insurance sector	21,421	–
Pensions sector	5	–
Total amounts received in respect of dormant assets	**240,985**	143,392

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

4. AMOUNTS RECEIVED IN RESPECT OF DORMANT ASSETS CONTINUED
The tables below show the detailed amounts received per Participant by sector.

	2023/24 Year to 31 March 2024 £'000	2022/23 Year to 31 March 2023 £'000
Bank and Building Societies sector		
Bank Hapoalim – London Branch	22	–
Barclays Bank UK PLC	68,142	59,506
Butterfield Bank (UK)	25	–
The Co-operative Bank plc	–	15,976
Danske Bank	264	250
HSBC Bank plc	27,984	13,846
HSBC London Branch	–	606
Lloyds Banking Group		
Lloyds Bank plc	16,038	2,307
Bank of Scotland plc	32,224	7,154
Malayan Banking Berhad	–	95
Nationwide Building Society	17,569	2,886
NatWest Group		
Adam & Co	–	–
Coutts & Co	1,243	–
National Westminster Bank plc	15,196	12,234
The Royal Bank of Scotland plc	3,866	3,512
Ulster Bank Limited	1,180	694
Santander UK plc	32,341	21,801
Virgin Money UK PLC		
Virgin Money plc	3,277	2,070
Amounts received in respect of the Bank and Building Societies sector – Main Scheme	**219,371**	142,937
Alternative Scheme Participants		
Buckinghamshire Building Society	40	–
Leek Building Society	28	–
Marsden Building Society	14	171
Saffron Building Society	–	284
Vernon Building Society	106	–
Amounts received in respect of the Bank and Building Societies sector – Alternative Scheme	**188**	455
Insurance sector Participant		
Aviva Life & Pensions UK Limited	21,421	–
Amounts received in respect of the Insurance sector	**21,421**	–
Pensions sector Participant		
Legal and General Assurance Society Limited	5	–
Amounts received in respect of the Pensions sector	**5**	–
Total amounts received in respect of dormant assets	**240,985**	143,392

5. INTEREST INCOME AND EXPENSE

	2023/24 Year to 31 March 2024 £'000	2022/23 Year to 31 March 2023 £'000
Interest income:		
On investment securities	10,117	7,259
On cash deposits	19,655	6,330
	29,772	13,589
Interest expense:		
On Participant reclaims	346	160
On lease liabilities	12	14
	358	174

6. TAXATION

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

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

	2023/24 Year to 31 March 2024 £'000	2022/23 Year to 31 March 2023 £'000
Current tax		
UK corporation tax on profits at 25% (2022/23: 19%)	5,909	982
Adjustments in respect of previous years	(22)	–
	5,887	982
Deferred tax		
Origination and reversal of timing differences	18	145
Adjustments in respect of previous years	20	12
	38	157
Total tax charge for the year	**5,925**	**1,139**

	2023/24 Year to 31 March 2024 £'000	2022/23 Year to 31 March 2023 £'000
Reconciliation of effective tax rate		
Surplus before tax	**94,513**	50,880
UK corporation tax at 25% (2022/23: 19%)	23,628	9,667
Non-taxable income	(60,247)	(27,245)
Disallowable provision for reclaim repayments	6,681	1,499
Disallowable payments and provision for future distributions to TNLCF	35,865	17,206
Prior year adjustment – current tax	(2)	12
Total tax charge for the year	**5,925**	1,139

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

6. TAXATION CONTINUED
Since 1 April 2023, the statutory rate of UK corporation tax has been 25%. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

DEFERRED TAX
The movement on deferred tax is as follows:

	2023/24	2022/23
	Year to 31 March 2024 £'000	Year to 31 March 2023 £'000
Asset at the beginning of the financial period	4	161
Adjustments in respect of deferred tax of previous year	–	(12)
Income Statement (charge)/release in the period	(38)	(145)
(Liability)/asset at the end of the year	**(34)**	4

The opening and closing balances at the beginning represent taxable temporary differences on fixed assets.

7. INVESTMENT SECURITIES

	31 March 2024 £'000	31 March 2023 £'000
Central governments or central banks	13,911	22,972
Supranationals	109,904	137,833
Corporates	204,400	282,787
Accrued interest	2,856	3,261
Expected credit losses	(112)	(164)
	330,959	446,689

The carrying value of financial instruments measured at amortised cost is determined in compliance with the accounting policies on page 70. Investment securities primarily comprise GBP-denominated fixed income instruments. All securities within Central governments or central banks relate to those held with UK Government.

The table below sets out a summary of the carrying and fair values of financial assets classified as held at amortised cost:

	Carrying value £'000	Fair value £'000
31 March 2024		
Investment securities	**330,959**	318,211
31 March 2023		
Investment securities	446,689	425,611

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

VALUATION HIERARCHY

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

Of the total investment securities held, £103.2m (2022/23: £116.4m) is due to mature in less than 12 months from the reporting date.

8. CASH AND CASH EQUIVALENTS

	2023/24 £'000	2022/23 £'000
Bank of England	470,672	248,253
HSBC	2,888	3,475
Goldman Sachs Asset Management	72,362	28,963
Cash and cash equivalents	**545,922**	280,691

9. PROVISION FOR RECLAIMS OF DORMANT ASSET BALANCES

	2023/24 £'000	2022/23 £'000
Reclaim provision		
Bank and Building Societies sector		
Main Scheme	170,400	168,321
Alternative Scheme	161	169
Insurance sector	3,378	–
Pensions sector	2	–
At the end of the year	**173,941**	168,490

The table below shows the movement in provision across all sectors and is further broken down into Banks and Building Societies and Insurance and Pensions sectors.

RECONCILIATION OF MOVEMENT IN BEST ESTIMATE FOR ALL SCHEMES

		Year to 31 March 2024 £'000		Year to 31 March 2023 £'000
Total balance at the beginning of the year		**168,490**		176,024
Utilised in the year		(21,273)		(15,422)
Change in modelling due to reclaim experience	(12,390)		(12,868)	
Unwind of discount rate	2,368		1,184	
Change to discount rate	(4,237)		(9,524)	
Best estimate in respect of new transfers received in the year	40,983		29,096	
Total change in Statement of Comprehensive Income		**26,723**		7,888
Total balance at the end of the year		**173,941**		173,941

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

9. PROVISION FOR RECLAIMS OF DORMANT ASSET BALANCES CONTINUED

RECONCILIATION OF MOVEMENT IN BEST ESTIMATE FOR BANK AND BUILDING SOCIETIES SCHEME

		Year to 31 March 2024 £'000		Year to 31 March 2023 £'000
Total balance at the beginning of the year		**168,490**		176,024
Utilised in the year		(21,075)		(15,422)
Change in modelling due to reclaim experience	(12,390)		(12,868)	
Unwind of discount rate	2,367		1,184	
Change to discount rate	(4,237)		(9,524)	
Best estimate in respect of new transfers received in the year	37,405		29,096	
Total change in Statement of Comprehensive Income		**23,146**		7,888
Total balance at the end of the year		**170,561**		168,490

Aligned to the reclaim provision on dormant balances, the timing of any remote contingent liabilities is inherently uncertain and is dependent on the timing of Participant reclaims. Our model predicts reclaim payments to participants of £18.7m for the next financial year. The largest proportion of reclaims typically occurs following transfer of dormant assets to RFL with reclaims in future years exponentially reducing as time elapses; however, this is dependent on both the Participant and the timing and value of reclaims made. The best estimate contains an additional margin that considers possible increased reclaims, the timing of which is inherently uncertain.

RECONCILIATION OF MOVEMENT IN BEST ESTIMATE FOR INSURANCE AND PENSIONS SECTORS

	Year to 31 March 2024 £'000
Total balance at the beginning of the year	**–**
Utilised in the year	(198)
Best estimate in respect of new transfers received in the year	3,578
Total balance at the end of the year	**3,380**

The table above combines the individual Insurance and pension sector balances as the balance for the pension sector is small. Were balances in the sectors to increase a detailed split will be provided.

During the year to 31 March 2024, £21.3m (2022/23: £15.4m) of the provision for reclaims of dormant asset balances was utilised. The table below shows the total value of reclaims, categorised by the participants at which each individual account was previously held:

Participant reclaims	**2023/24 £'000**	2022/23 £'000
Bank and Building Societies sector		
Main Scheme	20,927	15,282
Alternative Scheme	148	140
Insurance sector	198	–
Pensions sector	–	–
Amounts paid in respect of dormant assets	**21,273**	15,422

	2023/24 Year to 31 March 2024 £'000	2022/23 Year to 31 March 2023 £'000
Main Scheme Participants		
Barclays Bank UK PLC	5,201	2,916
The Co-operative Bank plc	669	271
Danske Bank	62	72
HSBC Bank plc	2,374	1,210
Lloyds Banking Group		
Lloyds Bank plc	802	568
Bank of Scotland plc	4,016	2,963
Nationwide Building Society	2,130	1,445
NatWest Group		
National Westminster Bank plc	484	937
The Royal Bank of Scotland plc	116	142
Ulster Bank Limited	26	93
Santander UK plc	3,832	4,139
Standard Chartered Bank	87	–
TSB Bank plc	61	11
Virgin Money UK PLC		
Clydesdale Bank plc	56	72
Virgin Money plc	1,011	443
Amounts paid in respect of the Bank and Building Societies sector – Main Scheme	**20,927**	15,282
Alternative Scheme Participants		
Cambridge Building Society	59	26
Leek Building Society	1	–
Marsden Building Society	2	–
Newcastle Building Society	23	84
Saffron Building Society	63	30
Amounts paid in respect of the Bank and Building Societies sector – Alternative Scheme	**148**	140
Insurance Scheme Participant		
Aviva Life & Pensions UK Limited	198	–
Amounts paid in respect of the Insurance Scheme	**198**	–
Total amounts paid in respect of dormant assets	**21,273**	15,422

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

9. PROVISION FOR RECLAIMS OF DORMANT ASSET BALANCES CONTINUED

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

Remaining exposure	2023/24 £'000	2022/23 £'000
Bank and Building Societies sector		
Main Scheme	1,102,832	971,209
Alternative Scheme	3,001	2,720
Insurance sector	11,782	–
Pensions sector	3	–
	1,117,618	973,929

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

10. PROVISION FOR FUTURE DISTRIBUTIONS TO TNLCF

	2023/24 £'000	2022/23 £'000
At the beginning of the year	90,374	91,756
Additional provision created in the year	143,407	90,374
Approved for distribution to TNLCF	(90,374)	(91,756)
At the end of the year	143,407	90,374

£90.4m of funds were distributed to TNLCF during the year (2022/23: £91.8m) – this sum was paid in October 2023. The closing balance at 31 March 2024 of £143.4m was approved on 11 July 2024 for distribution to TNLCF. The balance is classified as current as it is expected to be drawn down by TNLCF within 12 months.

11. PARENT UNDERTAKING

The shares in the Company are owned by the Treasury Solicitor for the Affairs of His Majesty's Treasury in its capacity as nominee for HM Treasury, and the Company considers the UK Government to be its ultimate parent and controlling party. As a Non-Departmental Government Body, RFL is consolidated into the 2023/24 HM Treasury Group Accounts, which are available at gov.uk/official-documents.

12. SHARE CAPITAL AND RESERVES

	2023/24 31 March 2024 £	2022/23 31 March 2023 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

	2023/24 £'000	2022/23 £'000
Capital reserve	556,025	467,437

The Shareholder, the Treasury Solicitor for the Affairs of His Majesty's Treasury in its capacity as nominee for HM Treasury, has full voting rights, effective from 30 March 2021.

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

13. RELATED PARTIES

The Company has not entered into any transactions with Directors of the Company or their immediate relatives, other than for the emoluments that are paid. For further information, please see the Staff and Remuneration report on page 44.

UK GOVERNMENT

As described in Note 11 to the Financial Statements, the Company considers the UK Government to be its ultimate controlling party. Following the Office for National Statistics reclassification of RFL as a central government body, with RFL thereby becoming a Non-Departmental Government Body, RFL is consolidated into the 2023/24 HM Treasury Group Accounts, thereby giving rise to the relationship with government departments and central government bodies.

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

The Company's material balances with departments and bodies of the Government comprise deposits with the Bank of England as detailed in Note 8, and amounts owed to HMRC for corporation tax and other employment-related taxes. RFL's investment mandate permits its investment manager to invest in GBP-denominated UK Government debt in the normal course of its investment activities and these investments are disclosed in Note 7.

RFL is regulated by the FCA which is ultimately controlled by UK Government. All fees payable to the FCA were made in the ordinary course of business and are not unusual in their nature or conditions.

14. RISK MANAGEMENT

During the year the Board made a conscious decision to cease the reinvestment of maturing bonds in the investment portfolio and move the cash realised on the maturing funds back into the Bank of England until such time as a revised investment strategy was agreed. This resulted in a change of asset mix between investment securities and cash held in the Bank of England as detailed below.

LIQUIDITY AND FUNDING RISK

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

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

CREDIT RISK

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

Cash deposits are currently held with the Bank of England (£470.7m; 2022/23: £248.3m), HSBC Bank plc (£2.9m; 2022/23: £3.5m) and the investment manager (£72.4m; 2022/23: £28.9m). The Company considers its credit risk on cash deposits to be minimal.

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

The maximum exposure to credit risk at the balance sheet date is £876.9m (2022/23: £727.3m), being £545,9m cash deposits and £331.0m investments (2022/23: £280.7m cash deposits and £446.7m investments).

MARKET RISK

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

Reinvestment risk refers to the possibility that an investor will be unable to reinvest cash flows received from an investment at a rate comparable to their current rate of return. The risk has reduced following the change in investment strategy to invest in floating rate notes.

As explained in Note 7, the fair value of the investment securities (2023/24: £318.2m, 2022/23: £425.6m) differs from the carrying value (2023/24: £331.0m, 2022/23: £446.7m) due to movements in market rates of interest and market expectations.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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

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

The Company's capital resources are its capital and reserves of £556.0m (2022/23: £467.4m).

16. NON-ADJUSTING POST-BALANCE-SHEET EVENT
A distribution to TNLCF of £143.4m was approved by the Board on 11 July 2024.

PARTICIPATING FINANCIAL INSTITUTIONS

	Dormant assets received from participants		Reclaims paid to participants	
	2023/24 £'000	Since inception	**2023/24 £'000**	Since inception
Bank and Building Societies sector participants				
Allied Irish Bank (UK) plc	–	9,873	–	124
Australia & New Zealand Bank – London Branch	–	3,063	–	14
Bank Hapoalim – London Branch	22	1,911	–	–
Bank Leumi UK plc	–	3,399	–	165
Barclays Bank UK PLC	68,142	411,063	5,201	25,009
Butterfield Bank (UK) Limited	25	103	–	–
CIMB Berhad	–	38	–	–
Commonwealth Bank of Australia – London Branch	–	4	–	–
Consolidated Credit Bank Limited	–	53	–	–
The Co-operative Bank plc	–	37,184	669	3,189
Credit Agricole Corporate & Investment Bank – London Branch	–	652	–	–
Danske Bank	264	7,621	62	486
Duncan Lawrie Limited	–	17	–	–
DZ Bank	–	1	–	–
Emirates NBD PJSC – London Branch	–	107	–	1
HSBC Bank plc	27,984	138,847	2,374	10,760
HSBC – London Branch	–	606	–	–
Intesa Sanpaolo S.p.A. – London Branch	–	115	–	–
Lloyds Banking Group				
Lloyds Bank plc	16,038	225,244	802	11,029
Bank of Scotland plc	32,224	284,890	4,016	38,808
Malayan Banking Berhad	–	95	–	–
National Bank of Egypt (UK)	–	89	–	–
Nationwide Building Society	17,569	102,579	2,130	7,590
N. M. Rothschild & Sons Limited	–	90	–	–
R. Raphael and Son PLC	–	17	–	–
Riyad Bank – London Branch	–	4	–	–
NatWest Group				
Adam & Company plc	–	37	–	1
Coutts & Co	1,243	2,878	–	–
National Westminster Bank plc	15,196	183,664	484	5,402
The Royal Bank of Scotland plc	3,866	67,194	116	759
Ulster Bank Limited	1,180	11,942	26	445
Santander UK plc	32,341	381,095	3,832	40,115
Standard Chartered Bank	–	8,603	87	87
TSB Bank plc	–	12,354	61	4,238
Virgin Money UK PLC				
Clydesdale Bank plc	–	23,726	56	490
Virgin Money plc	3,277	41,749	1,011	8,108
Total Bank and Building Societies sector – Main Scheme	**219,371**	1,960,907	**20,927**	156,820

PARTICIPATING FINANCIAL INSTITUTIONS CONTINUED

	Dormant assets received from participants		Reclaims paid to participants	
	2023/24 £'000	Since inception	**2023/24 £'000**	Since inception
Alternative Scheme participants				
Buckinghamshire Building Society	40	40	–	–
Cambridge Building Society	–	425	59	137
Leek Building Society	28	42	1	1
Marsden Building Society	14	184	2	2
Newcastle Building Society	–	920	23	174
Saffron Building Society	–	284	63	94
Vernon Building Society	106	106	–	–
Total Bank and Building Societies sector – Alternative Scheme	**188**	2,001	**148**	408
Insurance sector participant				
Aviva Life & Pensions UK Limited	21,421	21,421	198	198
Total – Insurance sector	**21,421**	21,421	**198**	198
Pensions sector participant				
Legal and General Assurance Society Limited	5	5	–	–
Total – Pensions sector	**5**	5	**–**	–
Total	**240,985**	1,984,334	**21,273**	157,426

GLOSSARY

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

COMPANY INFORMATION AND ADVISORS

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