

Reclaim Fund Ltd

Operating Review

For the year ended 31 December 2014

Registered office: 1 Angel Square, Manchester, M60 0AG.
Registered number: 07344884

Reclaim Fund Ltd

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

Our **vision** is to maximise the benefit for good causes through our stewardship of unclaimed assets.

The delivery of our vision will be underpinned by our **values**, which are a framework for how we behave and treat each other, as individuals and as a business; also by our **givens**, which are the principles that we adhere to.

Our **values** are:

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

Our **givens** are:

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

Contents

	Page
Chairman's review	3
Corporate governance report	5
Summary income statement	11
Summary balance sheet	12
Participating banks and building societies	13

Chairman's review

I am pleased to report that 2014 was another successful year for Reclaim Fund Ltd ("the Company"). Established in early 2011 under the terms of the Dormant Bank and Building Society Accounts Act 2008, the Company continues to provide effective stewardship of monies that have lain dormant in bank and building society accounts for 15 years or more. We continue to retain sufficient funds to meet account holder reclaims in perpetuity, whilst distributing as much as is deemed prudent to Big Lottery Fund for the benefit of good causes across the UK. In 2014, banks and building societies participating in the Dormant Accounts Scheme ("the Scheme") – our Participants – transferred £95 million to the Company. While remaining mindful of our obligation to meet future reclaims, we were able to distribute £57 million to Big Lottery Fund for reinvestment in the community, making a total of more than £220 million distributed since the Company's launch.

Our annual event in October provided clear evidence that the Scheme is delivering on its intended objectives, as representatives from banks and building societies heard inspiring presentations from young people whose lives have been changed for the better, thanks to local initiatives funded by the dormant accounts process.

In addition to maintaining our focus of embedding the delivery of the Scheme, we have also reviewed our operating model during the year. The results of which will ensure we secure the foundations to enable the Company to continue to operate effectively and efficiently, maximising the monies to be made available to good causes.

Board changes

The Company has seen a number of Board changes during the year. It was with great sadness that we received the resignation of our first Chairman, David Anderson, in February 2014 due to ill health. David not only successfully steered the Company from start-up through to its current healthy, well-established position but was also a professional, committed and much admired colleague. The Board and Executive team at RFL are indebted to him for his astute leadership and invaluable contribution. I am proud to have been appointed to succeed David as Chairman and look forward to building on what he has achieved.

On 5 December 2014 Adrian Coles, was appointed Senior Independent Director. I would like to take this opportunity to thank him for holding the position of Acting Chairman following David's resignation and prior to my appointment. Two of our shareholder nominated Non-Executive Directors: Clare Gosling and Zachary Hocking stepped down from the Board on 28 March 2014 following structural changes within the Group. I am grateful to them for the significant contributions they made.

On 4 February 2015 Glyn Smith was appointed to our Board, and as Chairman of the Audit and Risk Committee. He brings with him some 35 years of financial services experience and I am delighted to welcome him to the Board. I am also grateful to Robert Newton who performed the role of Acting Chairman of Audit and Risk Committee following my appointment as Chairman.

We look forward to our Board being further strengthened early in 2015 with the appointment of a shareholder-nominated Non-Executive Director and another independent Non-Executive Director.

Chairman's review (continued)

Relationship with Co-operative Banking Group ('CBG') and operating model

The Company remains a wholly-owned subsidiary of CBG and I would like to acknowledge the continued support provided to us by our parent company. This has proved extremely valuable as we have worked hard to establish the Scheme over recent years. As we move into 2015, I look forward to a continuing positive relationship.

In line with our values and principles and separate regulatory licence, we continue to operate independently on an administrative basis, and have a separate Board of Directors. In accordance with this principle and to ensure we continue to operate effectively and efficiently, we have performed a strategic review of our operating model during 2014 and as a consequence, have progressed discussions with CBG about reducing our dependence on the Group. Accordingly, as we go into 2015, the Company will be bringing in house some of the services previously outsourced, becoming more responsible for our own professional services and support functions. We will also complete our move to a new location in Crewe during March 2015.

Summary

While the Board changes and operating model review signal the start of a new chapter for the Company, we will continue to build on the strong foundations already established and will strive to develop the Scheme further. The flow of receipts from our existing participants continues and we are also actively encouraging additional members to join the scheme. We hope to receive in the region of a further £90 million in 2015. As each year goes by, we improve our understanding of reclaim rates so that we can maximise the amount we can make available for social reinvestment. I am grateful to all our participants for the positive way they have embraced the Scheme.

I would also like to thank Adrian Smith and his team whose hard work and commitment during this transitional and challenging year have enabled the Company to report another strong performance.

Jane Hanson
Chairman
6 March 2015

Corporate Governance Report

Board composition

Non-Executive Directors:

Jane Hanson (JP, BA (Hons), FCA) (Chairman)

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

Paul Chisnall (BA (Hons), Dip IoD)

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

Adrian Coles (BA, MA)

Adrian joined the Board in 2011, served as Acting Chairman between 15 February and 17 August 2014 and was appointed Senior Independent Director on 5 December 2014. Director General of the Building Societies Association between 1993 and 2013, Adrian is Chairman and Non-Executive Director of the Housing Securities Ltd group. In January 2014, Adrian was appointed a member of the Financial Services Commission "Gibraltar", and in May 2014 became a Non-Executive Director of Progressive Building Society. He is also a Non-Executive Director of BSA Pension Trustees Ltd and previously held a variety of other Non-Executive Directorships. Adrian was awarded an OBE in 2011 for services to financial services.

Robert Newton (BSc, FIA, CDir)

Robert joined the Board in 2010 and served as Acting Chairman of the Audit and Risk Committee between 18 August 2014 and 3 February 2015. With over 40 years' experience in the financial services industry, Robert is Chairman of Silentair Group Limited, a Non-Executive Director of Co-operative Banking Group Limited and Chairman of CIS General Insurance Limited.

Glyn Smith (MA, FCA)

Glyn joined the Board on 4 February 2015 and was also appointed Chairman of the Audit and Risk Committee. A graduate of Cambridge University and a Chartered Accountant, Glyn has some 35 years' experience in the financial services sector, most notably as a senior executive at Barclays Bank PLC and as Group Finance Director of Portman Building Society. He is currently a Non-Executive Director of Coventry Building Society, Covent Garden Market Authority and FCO Services and chairs the Audit Committees at all three organisations. He was formerly a Non-Executive Director of Domestic & General Group plc and a member of the ICAEW examinations team.

Executive Director:

Adrian Smith (DipMS) (Managing Director)

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

Corporate Governance Report (continued)

Board Changes

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

There have been a number of changes to the Board during the year, including the retirement of the Chairman, David Anderson due to ill health and the subsequent appointment of our new Chairman, Jane Hanson. The role of Acting Chairman was performed by Adrian Coles from 15 February to 17 August 2014. Adrian was appointed Senior Independent Director on 5 December 2014.

In addition, Glyn Smith has been appointed to the Board and as Chairman of the Audit and Risk Committee. Glyn brings with him some 35 years of banking experience. The role of Acting Chairman of the Audit and Risk Committee was performed by Robert Newton from 18 August 2014 to 3 February 2015 following Jane's appointment as Board Chairman.

Two Non-Executive Directors – Clare Gosling and Zachary Hocking, both nominated by our parent, Co-operative Banking Group Limited (CBG) left the Board early in the year. We anticipate the Board will be further strengthened with the appointment of two additional new Non-Executive Directors in 2015.

The aggregate emoluments of the directors (including those Non-Executive Directors remunerated directly by the Company) of Reclaim Fund Ltd for the year were £330k (2013: £353k).

Roles and responsibilities of the Board

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

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

The Board manages these matters at its regular Board meetings. The Board met five times in 2014.

Board procedures

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

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

Corporate Governance Report (continued)

When a Director is unable to attend Board or Committee meetings, issues can be raised with the Chairman. Written questions for management on papers are encouraged from Directors between meetings. A rolling schedule of matters arising from Board and Committee meetings is followed through.

During the year the Board comprised:

Jane Hanson (Chairman)	(appointed as Chairman 18 August 2014)
David Anderson	(resigned as Chairman 14 February 2014)
Paul Chisnall	
Adrian Coles	(Acting Chairman between 15 February and 17 August 2014)
Clare Gosling	(resigned 28 March 2014)
Zachary Hocking	(resigned 28 March 2014)
Robert Newton	
Adrian Smith	

Glyn Smith was appointed as a Non-Executive Director on 4 February 2015.

Board Committees

The Board has delegated certain responsibilities to the following Committees, all of which have 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.

Remuneration & Appointments Committee

In consultation with the Co-operative Banking Group Remunerations and Appointments Committee, the Remuneration and Appointments Committee considers and approves the remuneration arrangements for Executive and Non-Executive Directors. The Committee also leads the process for Board appointments, ensuring a rigorous search and selection process based on its evaluation of the balance of skills, knowledge and experience required on the Board.

During the year the committee comprised:

Adrian Coles (Chairman)
Paul Chisnall

The Committee met on 19 February 2014. For the remainder of the year, this Committee's responsibilities were reabsorbed back into the Board pending further appointments of Non-Executive Directors to the Board.

Audit and Risk Committee

The Audit and Risk Committee receives reports from the Company's internal and external auditors and the Risk and Compliance functions. Its remit includes matters relating to compliance with applicable regulations and legislation such as the Dormant Bank and Building Society Accounts Act 2008, the effectiveness of systems of control, risk management, internal capital adequacy process, arrangements for compliance, internal and external audit, and the annual report and accounts.

Corporate Governance Report (continued)

During the year the Audit and Risk Committee comprised:

Jane Hanson	(resigned as Chairman on 18 August 2014)
Robert Newton	(Acting Chairman between 18 August 2014 and 3 February 2015)
Clare Gosling	(resigned 28 March 2014)
Paul Chisnall	(appointed 17 October 2014)

Glyn Smith was appointed as Chairman of the Audit and Risk Committee on 4 February 2015.

The committee met four times during 2014.

In line with best practice and its terms of reference, the Committee reviewed its own effectiveness during the year.

Investment Committee

The Investment Committee was set up on 26 July 2013 to support the Board and the Managing Director in the development and implementation of the RFL Investment Strategy and to provide assurance to the Board with regard to the ongoing performance and compliance of the nominated Investment Manager and Custodian with the Board agreed investment mandates and requirements.

During the year the Committee comprised:

David Anderson	(resigned on 14 February 2014)
Adrian Coles	(Acting Chairman from 28 March 2014)
Jane Hanson	
Zachary Hocking	(resigned as Chairman and from the Committee on 28 March 2014)
Adrian Smith	

The Committee met four times during 2014.

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 2014.

Directors	Full Board	Audit & Risk Committee	Remuneration & Appointments Committee	Investment Committee
David Anderson	- (1)	-	-	- (1)
Paul Chisnall	5 (5)	1 (1)	1 (1)	-
Adrian Coles	5 (5)	-	1 (1)	4 (4)
Clare Gosling	1 (1)	1 (1)	-	-
Jane Hanson	5 (5)	4 (4)	-	4 (4)
Zachary Hocking	1 (1)	-	-	1 (1)
Robert Newton	5 (5)	4 (4)	-	-
Adrian Smith	5 (5)	4 (4)	-	4 (4)
Glyn Smith	-	-	-	-

Corporate Governance Report (continued)

During the year the Board held an additional two Sub-Committee meetings to approve statutory documents. The first of these was held on 11 February 2014 to approve the 2013 Annual Report and Accounts. The second additional Sub-Committee was held on 17 February 2014 to approve the Internal Capital Adequacy Assessment Process. During 2014, an additional Board Sub-Committee was formed with the specific terms of reference of providing granular oversight and monitoring of the Company's operating model review and implementation. This Committee met 8 times.

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

All Directors conform to the requirements of the Approved Persons regime operated by the Financial Conduct Authority.

Specific training topics have been agreed by the Board and Committees and a training schedule is maintained.

The Secretary to the Board

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

The Articles of Association and the schedule of Matters Reserved to the Board for decision provide that the appointment and removal of the Secretary is a matter for the full Board. Pat Wade (Corporate Governance, the Co-operative Group) resigned as Company Secretary with effect from 15 December 2014 and Jordan Company Secretaries Limited were appointed with effect from the same date.

The Leadership Team

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

Relations with members/stakeholders

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

Risk management

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

Frameworks have been developed to ensure the overall effectiveness of the Board and its committees, through ongoing monitoring and formal review on an annual basis; also to ensure the formal review of each Director's personal contribution (including that of the Chairman) to Board proceedings and the Company's progress in the year. The framework includes an ongoing process for identifying, evaluating and managing significant risks and has been in place for the year under review and up to the date of the approval of the annual report and accounts.

Corporate Governance Report (continued)

Internal control

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 aim to ensure effective and efficient operations, quality of internal and external reporting, safeguarding of the Company's assets and compliance with laws and regulations. Whilst recognising that the system is designed to manage rather than eliminate risk of failure to achieve business objectives, it can only provide reasonable and not absolute assurance against material misstatement or loss.

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

External audit

The performance of the external auditors is regularly monitored to ensure it meets the needs of the Company and the results are reported to the Audit and Risk Committee.

Internal audit

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

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

The Co-operative Banking Group Internal Audit team resigned as Internal Auditors with effect from 16 October 2014 and Deloitte LLP were appointed with effect from the same date.

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

Internal audit reports are submitted to, and significant issues discussed at, the Audit and Risk Committee.

On behalf of the Board of Directors

Jane Hanson
Chairman
6 March 2015

Summary Income Statement
For the year ended 31 December 2014

All amounts are stated in £'000 unless otherwise indicated

	Year ended 31 December 2014	Year ended 31 December 2013
Amounts received in respect of dormant accounts	95,047	86,913
Interest income	3,246	3,163
Interest expense	(41)	(22)
Net income	98,252	90,054
Administrative expenses	(2,020)	(1,781)
Provision for reclaims of dormant account balances	(38,018)	(34,765)
Operating result before distributions	58,214	53,508
Provision for future distributions to Big Lottery Fund	(57,948)	(53,892)
Profit/(Loss) before taxation	266	(384)
Taxation	(266)	384
Retained profit	-	-

Summary Balance Sheet
As at 31 December 2014

All amounts are stated in £'000 unless otherwise indicated

	2014	2013
Assets		
Cash and cash equivalents	407,849	382,130
Investment securities - held to maturity	71,595	68,453
Trade and other receivables	62	2
Deferred tax	118	384
Total assets	479,624	450,969
Liabilities		
Provision for reclaims of dormant account balances	266,532	238,763
Provision for future distributions to Big Lottery Fund	138,773	137,815
Amounts due to other Co-operative Banking Group undertakings	220	378
Trade and other payables	386	300
Total liabilities	405,911	377,256
Capital and reserves		
Share capital (£100)	-	-
Capital reserve	73,713	73,713
Total equity	73,713	73,713
Total liabilities and equity	479,624	450,969

These Summary Annual accounts were approved by the Board of Directors and signed on its behalf by Jane Hanson on 6 March 2015.

Participating banks and building societies

All amounts are stated in £'000 unless otherwise indicated

Participant	Dormant account monies received from participants		Reclaims paid to participants	
	2014	Since inception	2014	Since inception
Barclays Bank plc	25,233	131,102	1,564	4,131
Commonwealth Bank	-	4	-	-
The Co-operative Bank plc	1,122	9,647	94	388
Danske Bank	256	4,756	56	134
HSBC Bank plc	10,701	41,831	16	204
Lloyds Banking Group	-	-	-	-
Lloyds Bank plc	38,763	170,379	439	2,117
Bank of Scotland plc	-	78,263	1,411	1,411
TSB Bank plc	-	12,354	2,168	2,168
Nationwide Building Society	6,060	46,438	186	263
Royal Bank of Scotland	-	-	-	-
Adam & Company plc	1	12	-	-
Coutts & Co	108	1,358	-	-
National Westminster Bank plc	1,039	61,757	219	700
The Royal Bank of Scotland plc	486	14,910	0	0
Ulster Bank Limited	634	4,527	-	-
Santander UK plc	8,648	137,827	3,674	10,799
Virgin Money plc	1,996	9,078	422	850
	95,047	724,243	10,249	23,165

These Summary Annual Accounts are only a summary of information of the Reclaim Fund Ltd Annual report and accounts for the year ended 31 December 2014. They are not the Reclaim Fund Ltd Annual report and accounts and do not contain sufficient information to allow a full understanding of the results and state of affairs of the Company. Copies of the Annual report and accounts for the year 31 December 2014 may be viewed on the Reclaim Fund Ltd web site: www.reclaimfund.co.uk or obtained from 1 Angel Square, Manchester, M60 0AG.