UK Asset Resolution Limited

Annual Report & Accounts

for the year ended 31 March 2024

Registered in England and Wales under company number 07301961

CP 1134 July 2024

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for the year ended 31 March 2024

Presented to Parliament
by Tulip Siddiq, the Economic Secretary to the Treasury,
by Command of His Majesty

July 2024

CP 1134

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Company number 07301961

Contents

Chair's statement

Following the return of all remaining mortgage assets and the corporate entities of Bradford & Bingley ('B&B') and NRAM Limited ('NRAM') to private ownership in October 2021, UK Asset Resolution Limited ('UKAR' or 'the Company') remains in government ownership and is responsible for meeting contractual obligations arising out of HM Treasury's intervention in the Former Subsidiaries (NRAM and B&B and their respective subsidiaries), sponsoring the legacy defined benefit pension schemes for B&B and NRAM, and administering other non-loan assets and liabilities. UKAR has no employees, and this work is being undertaken on behalf of the Board by PricewaterhouseCoopers LLP ('PwC') and is overseen by the UKAR Board.

The objective of UKAR continues to be to deal with remaining legacy matters in an orderly fashion to allow for the dissolution of the Company in a timely manner. The complexities involved in managing these legacy issues have required significant time and expense. The Board has also spent time ensuring that only appropriate payments are made under indemnities to the purchasers of the loans made by the Former Subsidiaries and to the purchasers of the Former Subsidiaries themselves, and that those purchasers are required to continue to treat customers of the Former Subsidiaries fairly.

The Board

The Board reduced in size from eight directors to four at the sale of B&B and NRAM to private ownership, with all of the four remaining directors continuing to serve on the Board throughout the past financial year. Our annual internal review of the performance of the Board confirmed that we continue to work well as a team and in a constructive manner. The results of evaluations were positive and provided assurance that the Board remains fit for purpose.

I thank the Board members for their ongoing contributions to the effective operations of the Company and for their support to me as Chair.

John Tattersall CBE LVO
Chair
Date: 25th July 2024

About UKAR

UKAR was incorporated in England and Wales on 1 July 2010 to bring together the government-owned businesses of B&B and NRAM with an overarching objective to develop and execute a strategy for disposing of UKAR's shareholdings in B&B and NRAM in an orderly and active way.

UKAR is wholly owned by HM Treasury, whose shareholding is managed by UK Government Investments Limited ('UKGI'). The full governance structure is set out in a framework document ('the Framework Document' (see https://www.ukar.co.uk/about-us/governance/)) agreed between UKAR and UKGI, acting on behalf of HM Treasury.

In February 2021, following a competitive process, UKAR agreed to sell the entire issued share capital of B&B and NRAM, along with their remaining loan assets, bringing to a close the government's intervention in B&B and NRAM. The sale completed on 29 October 2021.

Business review

The key activity in the year has been to continue to deal with remaining legacy matters in an orderly fashion.

UKAR recognised a loss after tax in the year to 31 March 2024 of £4.6m (2023 restated (see note 1(c)): loss £8.2m). In the year, the Company recognised a loss before tax of £3.6m (2023: loss £3.8m) with the loss being principally driven by outsourced and professional services costs. The tax charge arose on deferred tax, primarily as a result on the non-deductibility of certain expenses and the decision to cease to recognise a deferred tax asset in respect of losses. The Company is funded by HM Treasury through Grant-in-Aid funding.

UKAR paid £Nil (2023: £Nil) of dividends to its shareholder in the year.

At 31 March 2024, UKAR had net assets of £280.8m (2023 restated: £298.4m) which principally comprise the remaining pension assets and cash retained to fund ongoing commitments.

No analysis of the results using financial or non-financial KPIs has been presented as, in the opinion of the Directors, the use of KPIs is not relevant to the nature of UKAR's ongoing activities.

Key risks

UKAR is exposed to and manages the following key risks:

Outsourcing Risk

UKAR has outsourced all of its remaining activities, which exposes it to the risk that its outsourcing partners do not perform as expected. To mitigate this risk the Directors have:

- Established a formal supplier review and oversight process; and
- Implemented continuous monitoring and assessment of the effectiveness of outsourced relationships.

Operational Risk

As part of the agreements to sell its interests in B&B and NRAM, UKAR provided certain limited guarantees and indemnities over claims arising on the loan books of the entities sold. These arrangements expose UKAR to the risk of unexpected liabilities arising and to mitigate this the Directors have:

- Established management and oversight over the effectiveness of the claims handling processes; and
- Established management and oversight over claims decisioning processes.

Strategic Report (continued)

Section 172(1) statement

The Board has complied with the requirements of Section 172(1) of the Companies Act during the year as it relates to UKAR as a standalone entity.

The Directors had regard to the needs of all stakeholders and the effect of that regard, in making principal decisions during the financial year 2023/24 as follows:

Shareholder

UKGI acts as representative of UKAR's sole shareholder, HM Treasury, as outlined in the Framework Document and appoints the Chair of the Board. Their views are considered through two UKGI appointed Non-Executive Directors attending Board meetings and through close working relationships between representatives of UKGI and UKAR.

Pensioners

Staff members of PwC attend meetings of the Trustee Boards on behalf of the Company to discuss future funding of the closed Defined Benefit Pension Schemes for B&B and NRAM and to hear any concerns of the Trustees. Both schemes are in surplus and no contributions were made in the year except to fund administration costs.

In preparation for the sale of B&B and NRAM, the outstanding funded and unfunded pension obligations of both companies were transferred to UKAR in 2019.

In March 2022 the Public Service Pensions and Judicial Offices Act received Royal Assent which will allow the transfer of these obligations to a new statutory, public service pension scheme when appropriate enabling secondary legislation is enacted.

Suppliers

Following the sale of B&B and NRAM, PwC and Slaughter & May are the key suppliers to UKAR, and the Directors meet regularly with them to discuss matters of interest.

Signed on behalf of the board:

John Tattersall CBE LVO
Chair
Date: 25th July 2024

Directors' Report

The Directors present their report for UK Asset Resolution Limited (the 'Company' or 'UKAR') for the year ended 31 March 2024. Further information on the Company's background and activities is provided in the Strategic Report.

The Company's registered office is c/o MSP Secretaries Limited, 27-28 Eastcastle Street, London, W1W 8DH.

Results for the financial year and dividends paid

A review of the performance of the business and its financial position as at 31 March 2024 is presented within the Strategic Report on page 3.

Future developments

The Company will continue to manage the pension and other legacy obligations arising from the sale of B&B and NRAM.

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent and makes provision for HM Treasury to make regulations to affect the transfer of the pension schemes currently operated by the Company to new schemes established by HM Treasury. The preparations for an orderly transfer continue. The pensions will remain the responsibility of UKAR until such time as appropriate secondary legislation enabling the transfer is enacted and the new scheme goes live.

Corporate governance

Governance structure

The governance structure is determined by the UK Asset Resolution and UK Government Investments Limited Relationship Framework Document (the 'Framework Document') agreed between UKAR and UKGI, acting on behalf of HM Treasury. The Framework Document sets out how the relationship between the Company and UKGI works in practice and requires UKAR to comply with the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles') wherever practicable. The Framework Document reflects UKAR's overarching objective to manage the remaining liabilities and other strategic matters arising out of HM Treasury's former investment in UKAR's former subsidiaries, being NRAM and B&B and their respective subsidiaries (the "Former Subsidiaries").

Overarching Objective

The Framework Document is intended to ensure that the relationship between UKAR, UKGI, and HM Treasury (as shareholder and the provider of financial support), operates in the context of the stated Overarching Objective for UKAR. This is defined as "managing any liabilities and other strategic matters arising out of HM Treasury's former investment in the Former Subsidiaries". This includes managing and administering warranty and indemnity claims, monitoring compliance with certain contractual obligations such as customer protections agreed in previous asset sales, managing and administering legacy employee liabilities that have been transferred to the Company from the Former Subsidiaries, and keeping under review the strategy for the Company and identifying options to facilitate a long-term plan for winding-down the Company.

Principles of the Framework Document

The relationship between UKAR and UKGI operates according to the following principles under which UKGI:

- appoints the Chair of the Board and is entitled to appoint one or more Non-Executive Directors ('NEDs');
- is required to consent to the appointment of other members of the Board proposed for appointment and agrees the terms on which the Directors (or advisers) are appointed, remunerated and incentivised;
- requires that the Board is accountable to it for delivering the Overarching Objective;
- reviews with the Board from time to time the Company's strategic options;
- gives the Board the freedom to take the action necessary to deliver the Overarching Objective;
- monitors the Company's performance to satisfy itself that the Company is taking the action necessary to deliver the Overarching Objective; and
- is to be informed if the Company proposes to take certain significant actions and provide prior written consent before such action is taken.

Directors' Report (continued)

Monitoring performance

UKGI monitors the Company's performance against the Overarching Objective by means of the following main mechanisms:

- One or more Non-Executive Directors are appointed to the Board by UKGI, and one or more senior representatives of UKGI and HM Treasury are entitled to attend meetings of the Board in an observer capacity;
- Financial and business performance monitoring information will be provided by the Company to assist the Board in undertaking its duties and provide a forum to review the performance against the Overarching Objective; and
- Following the appointment of the outsourced provider, at least monthly (or, at UKGI's request more frequently) meetings between the Chair of the Board, relevant individuals from the outsourced provider, PwC, and senior representatives of UKGI are held to monitor progress against the Overarching Objective on a timely, regular and appropriate basis.

In addition, UKGI is entitled to such information in relation to the affairs of the Company as it may reasonably consider necessary or desirable from time to time, as defined in the Framework Document.

Directors' Report (continued)

Board of Directors

The biographical details of each Director demonstrate the broad range of experience and expertise they brought to the Board in 2023/24:

John Tattersall CBE LVO – Non-Executive Chair

John joined the Board of UKAR in October 2010, having been a Board member of B&B from April that year. He became Chair of UKAR in July 2016. John was made a Lieutenant of the Royal Victorian Order in the Queen's Birthday Honours List 2021 for services to the Court of the Royal Foundation of St Katharine and was awarded a CBE in the 2023 New Years Honours List for services to the financial sector.

John retired as a partner in PricewaterhouseCoopers LLP in 2009, where he had worked since 1975, latterly as leader of the firm's Financial Services Regulatory Practice and a senior client relationship partner. He started his career in the financial services sector with Kleinwort Benson Limited in 1973. He has also been Chair of UBS Limited, Chair of the Gibraltar Financial Services Commission, Chair of the Risk and Regulation Committee of the Financial Services Faculty of the Institute of Chartered Accountants in England and Wales, Chair of the Court of the Royal Foundation of St Katharine and Chair of the Oxford Diocesan Board of Finance. He is currently Chair of RCB Bonds PLC and a Non-Executive Director of UBS Business Solutions AG and Credit Suisse Services AG. He is also a non-stipendiary priest in the Church of England and an honorary Canon of Christ Church Cathedral in Oxford. John served as a member of the Independent Commission on Equitable Life payments.

Dame Sue Langley DBE - Senior Independent Director

Sue joined the Board of UKAR and B&B in October 2010. She was awarded an OBE in the 2015 New Year Honours list for services to Women in Business, and more recently a Damehood in King Charles's Birthday Honours list in June 2023 for services to both financial services and public service.

Sue is the Chair of Gallagher Insurance Brokers (UK) and was previously CEO of UK Financial Services – Department of International Trade and the Lead Non-Executive Director for the Home Office. She is also currently Sheriff of the City of London.

Other roles have included Trustee Macmillan Cancer, Executive Director of Market Operations Lloyd's of London, Chair of Lloyd's Japan and Director of Lloyd's Asia, Chief Operating Officer. Sue joined the insurance market from PricewaterhouseCoopers where she was a Principal Consultant working with a range of FTSE companies.

Keith Morgan CBE – Non-Executive Director

Keith joined the Board of UKAR in October 2010.

He is Non-Executive Chair of ThinCats Group Ltd, a lender to medium sized businesses, a Non-Executive Director and Chair of the Board Risk Committee for JP Morgan Europe Ltd, a Trustee and Chair of the Finance Committee for the Design Council, a Trustee and Deputy Chair of the Jephcott Charitable Trust and was formerly the founding CEO of British Business Bank plc, the UK's economic development bank for business. Keith was also a Director of UKFI, responsible for managing the governments shareholdings in UKAR, B&B and NRAM plc until August 2012. He joined UKFI from Banco Santander where he was an Executive Director of its US business and was previously a member of the Executive Committee of Abbey National in the UK. Before joining Abbey in 2004, Keith spent 18 years at L.E.K. Consulting, where he was a partner specialising in financial services.

Keith was awarded a CBE in the 2020 New Year's Honours list for services to Small Business Finance.

Dr Holger Vieten – Non-Executive Director

Holger joined the Board of UKAR in July 2018 after being appointed by UKGI to manage HM Government's shareholding in the UKAR Group companies.

Holger joined UKGI in May 2018 and is Director of UKGI's Financial Institutions Group. He has spent over 20 years advising UK and European financial institutions on a broad range of mergers and acquisitions, capital markets and restructuring transactions. Before joining UKGI, Holger was an investment banker at Moelis & Company for eight years and previously at Morgan Stanley, having started his career at Credit Suisse.

Holger is a Non-Executive Director of Reclaim Fund Ltd.

Directors' Report (continued)

Appointments and Resignations during 2023/24

There were no appointments or resignations during 2023/24.

Senior Independent Director

The role of the Senior Independent Director is to act as a sounding board for the Chair, as a trusted intermediary for the other Directors and, where necessary, a point of contact for the shareholder. The responsibilities of the role include the evaluation of the Chair's performance. Dame Sue Langley is the Senior Independent Director of UKAR.

How the Board operated in 2023/24

Board structure and governance

The Board is comprised of the Non-Executive Directors and will continue to do so whilst UKAR's affairs are brought to an orderly conclusion. Operating within the Framework Document and taking appropriate account of the Wates Principles, the Board has undertaken all committee activities itself, including audit, risk, remuneration and nominations.

The Board meets 4 times a year, supplemented by Governance meetings which include the Chair of UKAR and representatives from all key stakeholders including UKGI and HM Treasury and also the senior adviser to the business, Ian Hares.

Board responsibilities

The Board's role is to provide leadership and oversight of the management of the Company, whilst setting the strategic direction, in order to achieve its objectives. The Board is responsible for:

- developing and implementing strategies to meet the Overarching Objective set out in the Framework Document. The strategic aims developed by the Board and any proposed change in strategic direction will require review by, and the approval of, UKGI;
- decisions on the day-to-day running of the Company, which rest with the Board in accordance with the Directors' statutory, common law and fiduciary responsibilities. UKGI is committed to giving the Board the freedom necessary to deliver the strategies required to meet the Overarching Objective (including the freedom to oversee and manage the relationship with the outsourced provider PwC) and will not interfere in day-to-day operational and commercial matters; and
- ensuring that PwC (i) complies with its obligations under the agreement between it and the Company, and (ii) has the necessary financial and human resources in place to allow the Company to perform its role, and (iii) understands the Company's obligations to HM Treasury as shareholder and procures that such obligations are satisfied.

The Board has a written schedule of those matters reserved for its determination and those matters reserved for UKGI, in accordance with the Framework Document.

The way in which the Board works with key stakeholders is set out in the Section 172(1) report on page 4.

Board activities 2023/24

The Board's primary role throughout the year has continued to be to provide leadership and oversight to ensure the Overarching Objective in the Framework Document is met.

The Board continued to provide oversight in relation to ongoing key business activities during 2023/24 which have included:

- monitoring the resolution of legacy issues;
- identifying and monitoring any conflicts of interest; and
- monitoring and assessing the outsourced service provider's performance using Balanced Scorecard results.

Directors' Report (continued)

Board appointments and composition

UKAR is required to seek UKGI's agreement to the reappointment of board members and their terms. UKGI considers that the composition of the Board is a critical factor and seeks to secure an environment in which it shares a common view about Board composition and succession with the Chair, including size, balance of experience and diversity. To achieve this and to ensure that a common governance approach is applied, the Company operates under the following principles:

- the Chair and either the Chair of UKGI or a senior employee nominated by the Chair of UKGI (the 'Nominated Officer'), will discuss and confirm Board composition. Following the completion of the sale of the Former Subsidiaries, the Board should be composed of a minimum of three members, all of whom will be Non-Executive Directors;
- the Chair of the Board will be the Accounting Officer for the Company and, as such, is personally responsible for ensuring propriety, regularity, value for money and feasibility in the handling of the Company's resources and for the day-to-day operations and management of the Company (including those delegated to the outsourced provider, PwC) and other strategic matters arising out of the Government's former ownership of the Former Subsidiaries for which the Company is responsible;
- UKGI is entitled to appoint to the Board one or more Non-Executive Directors nominated by UKGI (the 'Shareholder Directors'); Keith Morgan and Holger Vieten are currently appointed as such Directors. The Company acknowledges that the Shareholder Directors intend to liaise with and report to representatives of UKGI from time to time in relation to the business of the Company and decisions made, or to be made, by the Board in order to assist with the exercise of their powers and duties as Directors;
- one or more senior representatives of UKGI will, if so requested by UKGI, attend meetings of the Board in an observer capacity;
- one representative of HM Treasury will, if so requested by HM Treasury and/or the Board, attend meetings of the Board. One representative is currently attending Board meetings in an observer capacity;
- the Chair will discuss with the Nominated Officer any impending changes to Board membership;
- the Chair and the Non-Executive Directors each have a letter of appointment which sets out the terms and conditions of their Directorships, including fees payable, where applicable, and the expected time commitment;
- the Chair of the Board discusses Board fees with UKGI in order to ensure they are consistent with the principles set out in this Framework Document and Cabinet Office guidance; and
- the Board will ensure that suitably rigorous appraisals are made of the effectiveness of the Chair and the Board.

Board evaluation

The Board is committed to undertaking a formal and rigorous annual evaluation of its own performance and that of individual Directors. The review provides the opportunity for the Board to reflect on the effectiveness of its activities and the quality of its decisions.

During 2023/24, the Board evaluation exercise was conducted by the Chair.

The process consisted of individual questionnaires to each Director which sought their views on a wide range of key issues, including:

- whether members work together constructively and how they interact;
- effectiveness of the Chair;
- Board culture;
- Board meeting processes; and
- approach to training and responsibility for maintaining skills and knowledge levels.

The evaluation exercise showed that the Board is discharging its responsibilities effectively and meeting the requirements of its terms of reference. The outcomes of the evaluation were positive and all comments have been reviewed by the Board.

Evaluation of individual Non-Executive Directors has also been addressed directly by the Chair.

The Chair's own performance was evaluated by the Directors and his annual performance review carried out on behalf of the Board by the Senior Independent Director.

Directors' Report (continued)

Induction and training

The Company requires any newly appointed Directors to undergo a formal induction training programme appropriate to their skills and experience, to ensure that they:

- are fully aware of and understand their role, duties and responsibilities as a Director; and
- have a good understanding of the operation of the business, so as to contribute effectively.

The Company also requires Non-Executive Directors to undertake relevant ongoing training and development to improve their capabilities and thereby contribute more effectively to Board decision making.

The Board is kept up to date on legal, regulatory and governance matters through regular papers as appropriate.

Timely and quality information

The Board believes that it receives and has access to, on a timely basis, all relevant information which is of a sufficient quality to make appropriate decisions and discharge its duties and obligations. Where necessary, Directors are able to take independent professional advice at the Company's expense.

Internal control and risk management

The Board is responsible for the Company's system of internal control and seeks regular assurance to satisfy itself that the system is functioning effectively in managing risks in the manner which it has approved in line with its Corporate Standards Policy which sets out the Company's risk management approach, in accordance with the Wates Principles. Such a system can only provide reasonable, not absolute, assurance against material misstatement or loss, as it is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

Throughout the year ended 31 March 2024, the Company has operated a system of internal control, which includes an ongoing risk management process for identifying, evaluating and managing the principal risks faced by the Company. The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company and have reviewed the effectiveness of the Company's system of financial and non-financial controls including operational and compliance controls, risk management systems and the Company's material risk exposures and associated mitigating actions. The Company also recently completed internal audit cycle with a focus on Board Effectiveness, Finance, Business Continuity/Disaster recovery and Corporate Standards & Policies key controls, which was reviewed by the Board at its meeting on 29 February 2024, carried out by the Government Internal Audit Agency who found that the framework of governance, risk management and internal controls in relation to the areas of focus is substantial.

The Company is committed to maintaining an appropriate Risk Management Framework with the aim of continuing to ensure that the Directors understand the key risks that the business faces and its appetite for them. This is achieved through the advice of PwC with internal control and risk management systems integrated into strategic considerations and business planning processes. For the period this report addresses, no material control issues are noted and appropriate internal and outsource oversight and assurance is in place to continue to monitor the assessment of these controls and any potential increase in risk as regulatory and government guidance is updated.

The risk management process is complemented by a formalised reporting and escalation process for emerging control issues. The Government Internal Audit Agency has a key role in maintaining the control environment by providing independent assurance on the effectiveness of the Company's internal control systems. The Board oversees the risk management process, regularly considers the risk profile and receives monitoring reports to update them on progress.

The system of risk management and internal control has been in place throughout 2023/24 and up to the date of approval of the Annual Report & Accounts.

In addition, as part of the process of preparing this statement, the Board has also performed its annual assessment of the effectiveness of risk management and internal control systems. This annual assessment adopted the recommendations of current best practice guidance issued by the Financial Reporting Council. The Board of Directors is not aware of any material risk events or internal control failures that arose across the Company during 2023/24 that are not being addressed in accordance with the internal control procedures of the Company.

No political donations have been made or any political expenditure incurred during the financial year.

Directors' Report (continued)

Going concern

The Directors have assessed, taking into consideration the key risks set out on page 3, potential future strategic options and the current and anticipated economic conditions, the Company's ability to continue as a going concern. The validity of the going concern basis of accounting is dependent upon the funding position of the Company.

In particular, they have considered the ongoing cash requirements of the business and the availability of Grant-in-Aid funding from HM Treasury to fund future operating costs. They also considered the likelihood of the Company's net pension obligations being transferred to HM Treasury under the provisions of the Public Service Pensions and Judicial Offices Act 2022 in the future.

As a consequence of these considerations, the Directors requested and obtained from HM Treasury a letter of support indicating that HM Treasury will enable the Company to pay its debts as and when they fall due until at least 31 December 2025.

Accordingly, the Directors are satisfied at the time of approval of these Financial Statements that the Company has adequate resources to continue in business for the foreseeable future. They are also satisfied that the Company's activities will continue for the foreseeable future. The Directors therefore consider it appropriate to prepare these Financial Statements on a going concern basis.

Longer term viability

As indicated above, UKAR will be funded annually by Parliament through Grant-in-Aid financed from the HM Treasury supply estimate. The Board has no reason to believe that support to UKAR from HM Treasury will be withdrawn or curtailed after 31 December 2025 unless the Company has concluded its activities. With this in mind, the Directors have assessed the longer-term viability of the Company and have concluded that the Company will remain viable throughout the entire period of its run-off. The length of this period will depend on the success of strategic initiatives.

Corporate governance codes

The Company complied with the Wates Corporate Governance Principles for Large Private Companies, in accordance with the Framework Document, wherever this was practicable. The Board and UKGI consider the Company's compliance on at least an annual basis.

Engagement with suppliers and others in a business relationship with the Company

Details of the Board's engagement with suppliers and others is set out in the Section 172(1) Report on page 4 of the Strategic Report.

Remote contingent liabilities (audited)

In addition to the contingent liabilities disclosed in note 16 in accordance with IAS 37, the Government Financial Reporting Manual (FReM) requires disclosure of remote contingent liabilities, i.e., contingent liabilities which are not required to be disclosed under IAS 37 as the possibility of an outflow is remote but for which the maximum exposure is a material amount. The Company's remote contingent liabilities at 31 March 2024 comprised certain fundamental indemnities and market-standard warranties, customary for such transactions, which were issued to facilitate sales of loan portfolios. The crystallisation of any liability is dependent on the occurrence and identification of any relevant matters covered by the indemnities and warranties. Given their nature, the probability of such occurrence is considered remote. The indemnities and warranties remaining at 31 March 2024 and the maximum exposures to the Company were:

a. Warranties and indemnities in connection with the sale of loans in February 2021 limited to the £4.8bn base sale price.
b. Warranties and indemnities in connection with the sale of loans in March 2019 limited to the £4.9bn sale price.
c. Warranties and indemnities in connection with a sale of loans in April 2018 limited to the £5.4bn sale price.
d. Warranties and indemnities in connection with a sale of loans in November 2015 limited to the £13.3bn sale price.

In addition to this list, UKAR also has a number of other remote contingent liabilities relating to previous asset sales where the likelihood is considered to be near zero due to the time elapsed since the relevant sales.

Losses and special payments (audited)

There have been no losses or special payments, as defined in HM Government's "Managing Public Money" publication, for the year ended 31 March 2024 (2023: £nil).

Directors' Report (continued)

Directors' indemnities

The Articles of Association provide the power to indemnify any Director against liabilities incurred as a result of their office.

UKAR has provided each Director with a Deed of Indemnity, which constitutes a 'qualifying third party indemnity provision' in accordance with the provisions of the Companies Act 2006. The Deeds were in force during the whole of the financial year ended 31 March 2024 and remain in force as at the date of approval of the Directors' Report.

The Deeds indemnify the Directors to the fullest extent permitted by law against all losses suffered or incurred in respect of acts and omissions arising as a result of holding office. The indemnities also extend to the reimbursement of each Director with the costs of defending all claims, actions and proceedings including regulatory investigation arising out of or connected with the exercise of, or failure to exercise, any of the Director's powers, duties or responsibilities as an officer, Director, trustee, agent or employee of the Company and any of its subsidiaries. Reimbursement is subject to the Director's obligation to repay the Company in accordance with the provisions of the Companies Act 2006. The payment obligations of the Company under each Deed of Indemnity are backed by a specific guarantee in favour of the Director entered into between each Director and HM Treasury.

There were no amounts paid or liabilities incurred by UKAR for the purpose of fulfilling these indemnities during the financial year ended 31 March 2024.

UKAR has also arranged Directors' and Officers' Insurance on behalf of the Directors in accordance with the provisions of the Companies Act 2006.

Directors' remuneration

The following report has been prepared in accordance with the requirements of the Government Financial Reporting Manual (FReM).

As highlighted throughout this Annual Report, UKAR does not have any employees. The only remuneration payable to Directors by the Company is for the Non-Executive Directors as detailed below.

Executive Directors
There are no Executive Directors of UKAR.

Non-Executive Directors
The Board Chair and other Non-Executive Directors each have a letter of appointment which sets out the terms and conditions of their directorship, including fees payable.

Key aspects of fees for Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	To provide a competitive level of fees that reflect the skills, experience and time commitment required for the roles.	The ongoing effectiveness and appropriateness of the remuneration of the Chair and the Non-Executive Directors is reviewed annually and agreed by the shareholder. All Non-Executive Directors take part in an annual evaluation process.	The fees for each Non-Executive Director are provided below. Non-Executive Directors are not eligible to participate in any remuneration programme and receive no pension benefits.

Fees for the Chair and Non-Executive Directors ('NEDs')

The annual fee rates payable are subject to UKGI approval and are shown in the table below.

Per annum (£)	1 April 2023 to 31 March 2024	1 April 2024 onwards
Board Chair	60,000	60,000
NED Base fee/Senior Independent Director	35,000	35,000

Directors' Report (continued)

Remuneration Payments for Directors (Audited)

Fees paid by UKAR (£)	1 April 2023 - 31 March 2024	1 April 2022 - 31 March 2023
John Tattersall CBE LVO	60,000	60,000
Dame Sue Langley DBE	35,000	35,000
Keith Morgan CBE[1]	35,000	35,000
Holger Vieten[2]	–	–
Total	**130,000**	**130,000**

Board gender composition

The board comprises one female and three male members.

Other matters

£50,000 (2023: £50,000) of consultancy fees have been incurred in the year in relation to advice to the board.

There were no exit packages paid by UKAR in the year and there are no off-payroll arrangements in place for the members of the board by UKAR. There were no payments to previous directors and no payments to third parties for the services of directors in the current or prior year.

Financial risk management

Details of the Company's approach to financial risk management is provided in note 14 to the financial statements.

Greenhouse gas and energy use

The Company is exempt from providing disclosures under the Streamlined Energy and Carbon Reporting Regulations as it does not use more than 40MWh of energy per annum. The Company is also exempt from providing disclosures under the Task Force on Climate-related Financial Disclosure (TCFD) recommendations as it does not meet the definition of a reporting entity.

Auditors and disclosure of information to auditors

Disclosure of information to the Auditors

As at the date of this report, each person who is a Director confirms that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken such steps as he or she ought to have taken as a Director in order to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 (2) of the Companies Act 2006.

Independent Auditors

A written resolution to reappoint the Comptroller and Auditor General (C&AG) as the Company's auditors will be put to the shareholder by the Board.

John Tattersall CBE LVO
Chair & Accounting Officer, on behalf of the Board
Date: 25th July 2024

[1] *Keith Morgan is a UKGI appointed Director but is not an employee of UKGI and as such he received fees.*
[2] *Holger Vieten is a UKGI employed appointed Director and does not receive fees*

Statement of Directors' and Accounting Officer's responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have prepared the Financial Statements in accordance with UK adopted International Financial Reporting Standards ('IFRS') in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IAS in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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.

The Directors are responsible for the maintenance and integrity of the Company's website and legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that, to the best of each person's knowledge and belief:

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

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

The Accounting Officer of HM Treasury has designated UKAR's Chair as the Accounting Officer of UKAR. 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 UKAR'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's Financial Reporting Manual where this requires additional disclosure that does not conflict with IAS 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's 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 he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

John Tattersall CBE LVO
Chair & Accounting Officer, on behalf of the Board
Date: **25th July 2024**

Independent Auditor's report to the Members of UK Asset Resolution Limited and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of UK Asset Resolution Limited for the year ended 31 March 2024.

The financial statements comprise the UK Asset Resolution Limited

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

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

In my opinion the financial statements:

- give a true and fair view of the state of UK Asset Resolution Limited's affairs as at 31 March 2024 and its loss for the financial year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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 UK Asset Resolution Limited 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.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that UK Asset Resolution Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 UK Asset Resolution Limited'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.

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

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.

Independent Auditor's report to the Members of UK Asset Resolution Limited and the Houses of Parliament (continued)

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of UK Asset Resolution Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

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
- the financial statements and the parts of the Directors' Report on Director' Remuneration 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
- I have not received all of the information and explanations I require for my audit; or
- the Corporate Governance statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities in respect of the Directors' Report and Financial Statements, 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 UK Asset Resolution Limited from whom the auditor determines it necessary to obtain audit evidence.
- 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 financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- preparing the Annual Report in accordance with the Companies Act 2006,
- preparing the Directors' Report on Director's Remuneration, in accordance with HM Treasury's Government Financial Reporting Manual; and

Independent Auditor's report to the Members of UK Asset Resolution Limited and the Houses of Parliament (continued)

- assessing UK Asset Resolution Limited'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 UK Asset Resolution Limited's accounting policies.
- inquired of management, UK Asset Resolution Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to UK Asset Resolution Limited'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 UK Asset Resolution Limited's controls relating to UK Asset Resolution Limited's compliance with the Companies Act 2006;
- inquired of management, UK Asset Resolution Limited's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations; and
    - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant external specialists, including actuaries and tax experts, 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 UK Asset Resolution Limited 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 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 UK Asset Resolution Limited's framework of authority and other legal and regulatory frameworks in which UK Asset Resolution Limited 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 UK Asset Resolution Limited. The key laws and regulations I considered in this context included Companies Act 2006, pensions legislation, tax Legislation and the Public Service Pensions and Judicial Offices Act 2022.

Independent Auditor's report to the Members of UK Asset Resolution Limited and the Houses of Parliament (continued)

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 Board and in-house claims team 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 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.

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

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

Other auditor's responsibilities

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

Stephen Young (Senior Statutory Auditor)

26th July 2024

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

The Accounts

Notes to the Financial Statements

INCOME STATEMENT

For the financial year ended 31 March

	Note	**2024** **£m**	As restated 2023 £m
Interest receivable and similar income		**–**	0.1
Administrative expenses	3	**(3.6)**	(3.9)
Loss before tax		**(3.6)**	(3.8)
Tax on loss	4	**(1.0)**	(4.4)
Loss for the financial year		**(4.6)**	(8.2)

Details of the restatement can be found in note 1(c).

The notes on pages 25 to 42 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2024

	Note	Gross of tax £m	Tax £m	Net of tax £m
Loss for the financial year		**(3.6)**	**(1.0)**	**(4.6)**
Other comprehensive (expense)/income				
Items that will not be reclassified subsequently to profit or loss:				
- retirement and benefit remeasurements	6, 8	**(91.8)**	**58.9**	**(32.9)**
Other comprehensive (expense)/income		**(91.8)**	**58.9**	**(32.9)**
Total comprehensive (expense)/income for the financial year		**(95.4)**	**57.9**	**(37.5)**

For the financial year ended 31 March 2023

	Note	Gross of tax £m	As restated Tax £m	As restated Net of tax £m
Loss for the financial year		(3.8)	(4.4)	(8.2)
Other comprehensive (expense)/income				
Items that will not be reclassified subsequently to profit or loss:				
- retirement and benefit remeasurements	6, 8	(232.0)	82.9	(149.1)
Other comprehensive (expense)/income		(232.0)	82.9	(149.1)
Total comprehensive (expense)/income for the financial year		(235.8)	78.5	(157.3)

Details of the restatement can be found in note 1(c).

The notes on pages 25 to 42 are an integral part of these financial statements.

BALANCE SHEET

As at 31 March

	Note	**2024 £m**	As restated 2023 £m	As restated 2022 £m
Assets				
Cash at bank and in hand	5	**43.2**	56.6	53.2
Trade and other receivables		**–**	0.1	0.4
Current tax assets		**–**	–	4.3
Retirement benefit assets	6	**346.8**	413.5	637.7
Total assets		**390.0**	470.2	695.6
Liabilities				
Trade and other payables	7	**2.6**	6.1	6.0
Retirement benefit obligations	6	**15.7**	14.5	19.5
Deferred tax liabilities	8	**86.8**	144.7	223.2
Provisions	9	**4.1**	6.5	10.5
Total liabilities		**109.2**	171.8	259.2
Equity				
- share capital	10	**1.2**	1.2	1.2
- retained earnings		**279.6**	297.2	435.2
Total equity		**280.8**	298.4	436.4
Total equity and liabilities		**390.0**	470.2	695.6

Details of the restatement can be found in note 1(c).

The notes on pages 25 to 42 form an integral part of these Financial Statements.

The Financial Statements on pages 20 to 42 were approved by the Board of Directors on 25th July 2024 and signed on its behalf by:

John Tattersall CBE LVO
Chair & Accounting Officer

UK Asset Resolution Limited is registered in England and Wales under company number 07301961.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Note	Share capital £m	Retained earnings £m	Total share capital and reserves £m
At 1 April 2023 (as previously reported)		**1.2**	**341.7**	**342.9**
Prior year restatement	1.c	**–**	**(44.5)**	**(44.5)**
At 1 April 2023 (as restated)		**1.2**	**297.2**	**298.4**
Other comprehensive (expense)/income:				
- retirement benefit remeasurements	6	**–**	**(91.8)**	**(91.8)**
- tax effects of the above	8	**–**	**58.9**	**58.9**
Total other comprehensive expense		**–**	**(32.9)**	**(32.9)**
Loss for the financial year		**–**	**(4.6)**	**(4.6)**
Total comprehensive expense		**–**	**(37.5)**	**(37.5)**
Transactions with owners of the business:				
Grant-in-aid received	11	**–**	**19.9**	**19.9**
At 31 March 2024		**1.2**	**279.6**	**280.8**

For the year ended 31 March 2023

	Note	Share capital £m	Retained earnings £m	Total share capital and reserves £m
At 1 April 2022 (as previously reported)		1.2	500.7	501.9
Prior year restatement	1.c	–	(65.5)	(65.5)
At 1 April 2022 (as restated)		1.2	435.2	436.4
Other comprehensive (expense)/income:				
- retirement benefit remeasurements	6	–	(232.0)	(232.0)
- tax effects of the above	8	–	82.9	82.9
Total other comprehensive income/(expense)		–	(149.1)	(149.1)
Loss for the financial year		–	(8.2)	(8.2)
Total comprehensive expense		–	(157.3)	(157.3)
Transactions with owners of the business:				
Grant-in-aid received	11	–	19.3	19.3
At 31 March 2023		1.2	297.2	298.4

Details of the restatement can be found in note 1(c).

The notes on pages 25 to 42 form an integral part of these Financial Statements.

CASHFLOW STATEMENT

	2024 £m	2023 £m
Cash flows used in operating activities		
Loss before taxation for the financial year	**(3.6)**	(3.8)
Adjustments to reconcile profit to cash generated from/(used in) operating activities:		
- defined benefit pension scheme net credit	**(12.8)**	(11.9)
- cash contributions to defined benefit pension schemes for administrative expenses	**(11.1)**	(0.9)
- decrease in provisions	**(1.0)**	(1.9)
	(28.5)	(18.5)
Net decrease in operating liabilities:		
- other liabilities	**(3.5)**	0.1
- other receivables	**0.1**	0.3
- provisions utilised	**(1.4)**	(2.1)
Taxation repaid	**–**	4.3
Net cash used in operating activities	**(33.3)**	(15.9)
Cash flow generated from financing activities:		
- grant-in-aid income received	**19.9**	19.3
Net cash generated from financing activities	**19.9**	19.3
Net (decrease)/increase in cash and cash equivalents	**(13.4)**	3.4
Cash and cash equivalents at beginning of the financial year	**56.6**	53.2
Cash and cash equivalents at end of the financial year	**43.2**	56.6
Represented by cash and assets with original maturity of three months or less within:		
- cash at bank and in hand	**43.2**	56.6
Total cash and cash equivalents at end of the financial year	**43.2**	**56.6**

The notes on pages 25 to 42 form an integral part of these Financial Statements.

1. Principal accounting policies

The Company is a private company limited by shares incorporated on 1 July 2010 and domiciled in the United Kingdom. The principal activity of the Company at incorporation was to provide management services to its subsidiary undertakings Bradford & Bingley PLC ('B&B') and NRAM Limited ('NRAM'). Following the sale of B&B and NRAM, the principal activity is to manage and administer warranty and indemnity claims, monitor compliance with certain contractual obligations such as customer protections agreed in previous asset sales, manage and administer legacy employee liabilities that have been transferred to the Company from the former subsidiaries and keep under review the strategy for the Company and identify options to facilitate a long-term plan for winding-down the Company.

The Financial Statements on pages 20 to 42 were authorised for issue by the Directors on the same date as the audit report.

a) Statement of compliance

The Financial Statements have been prepared and approved by the Directors in accordance with the UK-adopted International Financial Reporting Standards ('IFRS'). IFRS comprises accounting standards prefixed IFRS issued by the International Accounting Standards Board ('IASB') and those prefixed IAS which were issued by the IASB's predecessor body, along with interpretations issued by the IFRS Interpretations Committee ('IFRIC') prefixed IFRIC and those prefixed SIC which were issued by the IFRIC's predecessor body.

There have been no significant changes to the Company's accounting policies since 31 March 2023.

All new standards, amendments to standards and interpretations are not considered relevant to, and have no impact upon, the Financial Statements of the Company.

b) Basis of preparation of financial statements

The Financial Statements have been prepared on a going concern basis and using the historical cost convention.

The Directors consider that the accounting policies set out in this note are the most appropriate to the Company's circumstances, have been consistently applied to the Company in dealing with items which are considered material and are supported by reasonable and prudent estimates and judgements.

These accounting policies have been applied to all periods presented in these Financial Statements.

UK Asset Resolution Limited, as a subsidiary of HM Government, is required to have reference to the relevant requirements of HM Treasury's Financial Reporting Manual (FReM) when preparing its Annual Report. To the extent that the requirements of the FReM, in respect of the financial statements, are not consistent with requirements of the Companies Act 2006 and International Accounting Standards, disclosures are provided in the Directors Report and are subject to audit. The additional disclosures made in the Directors Report under the FReM are in relation to "Remote Contingent Liabilities" and "Losses and Special Payments". The FReM is not applied in full to the Annual Report since not all aspects of the FReM are relevant to UKAR's reporting context.

A summary of accounting policies is set out below. The preparation of the Financial Statements in conformity with these accounting policies and generally accepted accounting principles requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates (see note 2).

The Company's functional and presentation currency is GBP and numbers are rounded to the nearest million.

c) Change in accounting for the taxation of net pension assets

Management has reconsidered the approach adopted in respect of the recognition of tax liabilities that may arise on the realisation of pension surpluses in future periods.

Historically, management's judgement was that it was highly unlikely that UKAR would ever receive a distribution from the schemes' trustees. As such, they adopted a policy of recognising tax at the prevailing corporation tax rate at the end of each financial year.

Having reviewed this position, management has acknowledged that there is considerable uncertainty over the timing and method of any future transfer of the pension schemes to HM Government and so considers it appropriate to recognise tax based on the Authorised Surplus Payments Charge mechanism instead.

In addition, losses previously recognised as deferred taxation assets can no longer be recognised as there is no longer an expectation of a taxable profit against which these can be utilised.

1. Principal accounting policies (continued)

c) Change in accounting for the taxation of net pension assets (continued)

As the changes required as a result of this decision are extensive, management has amended the information provided in respect of previous periods by way of a prior year adjustment in these financial statements to ensure consistency of presentation.

The impact of these changes on the comparative information for the year ended 31 March 2023 is as follows

a. In the Income Statement, "Tax on loss" and "Loss for the financial year" have increased by £2.6m
b. In the Statement of Comprehensive Income, "tax arising on retirement and benefit remeasurements" has increased by £23.6m, "Other comprehensive expense" has decreased by £23.6m and "Total Comprehensive Expense" has decreased by £21.0m
c. In the Balance Sheet "Deferred tax liabilities" have increased by £44.5m and "Retained earnings" and "Total Equity" have reduced by £44.5m. The reduction in Retained Earnings and Total Equity includes £65.5m in respect of adjustments to opening reserves at 1 April 2022 for which there was a corresponding increase in deferred tax liabilities.

There was no impact on the reported cash flows as a result of this adjustment.

d) Going concern

The Directors have assessed, taking into consideration the principal risks set out on page 3, potential future strategic options and the current and anticipated economic conditions, the Company's ability to continue as a going concern. The validity of the going concern basis of accounting is dependent upon the funding position of the Company.

In particular, they have considered the ongoing cash requirements of the business and the availability of Grant-in-Aid funding from HM Treasury to fund future operating costs. They also considered the likelihood of the Company's net pension obligations being transferred to HM Treasury under the provisions of the Public Service Pensions and Judicial Offices Act 2022 in the future.

As a consequence of these considerations, the Directors requested and obtained from HM Treasury a letter of support indicating that HM Treasury will enable the Company to pay its debts as and when they fall due until at least 31 December 2025.

Accordingly, the Directors are satisfied at the time of approval of these Financial Statements that the Company has adequate resources to continue in business for the foreseeable future. They are also satisfied that the Company's activities will continue for the foreseeable future. The Directors therefore consider it appropriate to prepare these Financial Statements on a going concern basis.

e) Grant-in-aid

The Company is financed via grant-in-aid from HM Treasury. The grant-in-aid is credited to retained earnings in the year in which it is received. The grant-in-aid is recognised directly in equity based on the fact that HM Treasury considers that the purpose of the grant-in-aid is to finance the operations of the Company and the grant is received from the shareholder of the Company.

f) Taxation

(i) Current tax

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated arising from temporary differences between the carrying amounts of certain items for taxation and for accounting purposes. Tax relating to items which are taken directly to reserves is also taken directly to reserves.

(ii) Deferred tax

Deferred tax is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The principal temporary differences arise from employee benefits.

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which these temporary differences can be utilised.

At the point at which the B&B and NRAM funded defined benefit pension schemes transferred to the Company an associated deferred tax liability was recognised by the Company.

1. Principal accounting policies (continued)

g) Financial instruments

In accordance with IFRS 9 each financial asset is classified at initial recognition, or at the point of first adoption of IFRS 9, into one of three categories:

i. Financial assets at fair value through profit and loss ('FVP&L');

ii. Financial assets at fair value through other comprehensive income ('FVOCI'); or

iii. Financial assets at amortised cost;

and each financial liability into one of two categories:

iv. Financial liabilities at FVP&L; or

v. Financial liabilities at amortised cost.

The classification of each financial asset is determined by the business model for the asset and whether the cash flows on the asset are 'solely payments of principal and interest' ('SPPI').

h) Recognition and de-recognition of financial assets and liabilities

Purchases and sales of financial assets are accounted for once the tests set out in IFRS 9 have been met in relation to the contractual rights to the cash flows on the assets and the risks and rewards of ownership of the assets.

A financial liability is de-recognised only when the contractual obligation is discharged, cancelled or has expired.

i) Cash at bank and in hand

Cash at bank and in hand comprises balances which are highly liquid and have an original maturity of three months or less. For the purposes of the Cash Flow Statement, accrued interest is excluded from the balance.

j) Equity securities in issue

Equity instruments (including share capital) are initially recognised at net proceeds, after deducting transaction costs and any related tax.

k) Retirement benefits

The Company is responsible for a number of closed retirement benefit plans for former employees of B&B and NRAM, including defined benefit plans and post-retirement medical benefits. The costs of these plans are charged to the 'administrative expenses' line of the Income Statement and to Other Comprehensive Income in accordance with IAS 19 'Employee Benefits' and IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

A defined benefit plan is a pension arrangement that defines an amount of pension benefit that an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and salary.

A full actuarial valuation of the Company's defined benefit schemes is undertaken every three years, with interim reviews in the intervening years, these valuations being updated at each published Balance Sheet date by qualified independent actuaries. For the purpose of these updates, scheme assets are included at their fair value and scheme liabilities are measured on an actuarial basis using the projected unit credit method. Details of the actuarial assumptions made are provided in note 6. The resulting net surplus or deficit is included in full on the Balance Sheet. Contributions made into a scheme during the year are added to the carrying amount of the scheme's assets. A surplus on one scheme cannot be used to offset a deficit on another. Retirement benefit remeasurements are charged to retained earnings in full in the period in which they occur and pass through Other Comprehensive Income rather than the Income Statement. The Income Statement includes, for each scheme, a credit representing the discount rate applied to the Balance Sheet carrying amount. Following closure of the schemes, the current service cost is £nil.

A past service cost arising as a result of an amendment to defined benefit scheme benefits is charged to the Income Statement when the plan amendment occurs. Such a past service cost arose during the year ended 31 March 2019 as a result of the GMP Equalisation Case and a further past service cost arose in November 2020 as a result of the High Court ruling that the GMP Equalisation Case should be applied to previous transfers out.

1. Principal accounting policies (continued)

k) Retirement benefits (continued)

Surpluses on an accounting basis are only recognised on the Balance Sheet to the extent that they are recoverable through reduced contributions in the future or through refunds from the scheme.

Post-retirement medical benefits are accounted for in the same way as pension benefits, with the present value of the defined benefit obligation being carried as a liability on the Balance Sheet.

l) Provisions and contingencies

Provisions are recognised when, and only when, the following criteria are all met:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Balance Sheet date and are released if they no longer meet the above criteria.

Provisions are discounted to net present value using rates which reflect the risks specific to the provision if the effect of discounting is material.

Contingent liabilities are possible obligations whose existence depends upon the outcome of uncertain future events or are present obligations where the outflows of resources are uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the Balance Sheet but are disclosed unless they are remote.

m) Dividends payable

Dividends payable by the Company are recognised in retained earnings once they are appropriately authorised and no longer at the Company's discretion.

n) New and amended standards to be adopted for the first time for the 31 March 2024 Financial Statements

There have been no new accounting standards, amendments to accounting standards and interpretations that have been published that are mandatory for 31 March 2024 that have a material effect on the financial statements of UKAR in the current or future reporting periods or on foreseeable future transactions.

o) New and emerging standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the Company.

In respect of IFRS 18 - "Presentation and Disclosure in Financial Statements" - (effective for periods commencing on or after 1 January 2027 (subject to UK endorsement)), the company has yet to undertake an evaluation of the impact of the standard but, whilst there may be some presentational changes within the financial statements, no adjustments to balances are currently anticipated.

In respect of IFRS 19 "Subsidiaries without Public Accountability" - (effective for periods commencing on or after 1 January 2027 (subject to UK endorsement)), no assessment will be undertaken at this time, pending a decision on whether the standard will be implemented in the UK.

In respect of all other standards, amendments or interpretations which have not been early adopted by the Company, these are not expected to have a material impact on the financial statements of UKAR in the current or future reporting periods or on foreseeable future transactions.

2. Critical judgements and accounting estimates

In preparing the Financial Statements, the Directors are required to make a series of judgements and estimates. Judgements involve an interpretation of requirements to decide how to allocate, value or recognise an item. Estimates arise from using assumptions which result in a range of possible outcomes.

Critical judgements

a) Going concern
As detailed in note 1(d), the Directors consider it appropriate to prepare these Financial Statements on a going concern basis. If the Financial Statements were prepared on a basis other than a going concern basis consideration would be required as to whether the carrying amounts of any assets should be impaired and whether any additional costs should be provided for.

b) Recognition of net retirement benefit surplus
As detailed in note 6, the Company carries on its Balance Sheet net assets in respect of its defined benefit retirement schemes. The Trustee of each such scheme has passed a resolution for the ultimate refund to the Company of any future surpluses on the scheme and therefore it is considered that any surplus will ultimately be available to the Company either in the form of a refund or in the form of reduced future contributions to the scheme. Hence it is considered appropriate to carry these net assets in full on the Company's Balance Sheet.

c) Accounting for deferred taxation on funded pension scheme balances
As detailed in note 1(c), management has determined that it is more appropriate to account for taxation balances arising on the surpluses in funded pension schemes under the Authorised Surplus Payment Charge regime rather than under the Corporation Tax regime. The effect of this is that in the years ending on or before 31 March 2023 the applicable rate under the Authorised Surplus Payment Charge scheme was 35% which differed from the Corporation Tax rate of 25% that was applicable at 31 March 2023. For the year ended 31 March 2024, both rates are aligned so there is no difference in the liability recognised.

Accounting estimates

d) Retirement benefit liabilities
Liabilities in respect of the Company's defined benefit pension schemes are carried on the Balance Sheet at values calculated in accordance with IAS 19. Economic assumptions are adopted which have impacts on the calculated value of the liabilities and also on the amounts charged or credited to the Income Statement; these assumptions are determined by the Company's Directors taking account of recommendations made by the Company's actuaries. The sensitivities of the liability values to key assumptions are disclosed in note 6.

e) Provision for indemnities and warranties
As detailed in note 9, the Company provided certain warranties and indemnities as part of the sale of B&B and NRAM in connection with loan portfolios, PPI, complaints and other remediation matters. At the end of each reporting period, the Directors make estimates concerning the likelihood of claims arising under those warranties and indemnities and the amount that may be incurred by the Company based on information provided by B&B and NRAM.

3. Administrative expenses

UKAR had no direct employees during the current or previous year.

	2024	2023
	£m	£m
Interest income on defined benefit assets	**(69.0)**	(55.2)
Interest on defined benefit obligations	**50.3**	38.6
Administrative expenses paid from plan assets	**5.9**	4.7
Defined benefit pension credit (see note 6)	**(12.8)**	(11.9)
Outsourced and professional services	**16.8**	17.1
Other administration expenses	**0.6**	0.6
Additions to provisions in the year (see note 9)	**0.1**	0.7
Provisions released to the income statement (see note 9)	**(1.1)**	(2.6)
Total administrative expenses	**3.6**	3.9

3. Administrative expenses (continued)

Auditor's remuneration

The following costs are included within administrative expenses:

	2024 £m	2023 £m
Fees payable to the Company's auditor in respect of the audit of the Company's Financial Statements	0.1	0.1
Total	0.1	0.1

No non-audit services were provided by the Company's auditor (2023: £nil). Audit fees exclude the impact of irrecoverable VAT.

4. Taxation

The tax charge for the year comprises:

	2024 £m	As restated 2023 £m
Current tax (in respect of Corporation Tax):		
- on loss for the year	**–**	–
- adjustments in respect of prior periods	**–**	–
Total current tax charge	**–**	–
Deferred tax (in respect of Authorised Surplus Payment Charge - see note 8):		
- origination and reversal of timing differences	**(5.9)**	(4.4)
- effects of changes in tax rates	**4.9**	—
Total deferred tax	**(1.0)**	(4.4)
Total taxation charge per the Income Statement	**(1.0)**	(4.4)

The following tax amounts have been credited/(charged) to equity:	2024 £m	As restated 2023 £m
Deferred tax:		
- relating to retirement benefit remeasurements	**58.9**	82.9
Net credit to equity	**58.9**	82.9

The applicable tax rate for the Company has been determined to be the Authorised Surplus Payments Charge as disclosed in note 2(c). The Company is not expected to generate taxable profits where standard corporation tax would be applicable. The tax charge on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average rate of the applicable tax rate of 25% (2023: 35%) as follows:

	2024 £m	As restated 2023 £m
Loss before taxation	**(3.6)**	(3.8)
Tax credit calculated at rate of 25% (2023: 35%)	**(0.9)**	(1.3)
Effects of tax on:		
- expenses not deductible for corporation tax purposes	**3.6**	5.2
- tax rate changes in respect of the Authorised Surplus Payment charge	**(4.9)**	–
- Corporation tax losses not recognised	**3.2**	0.5
Total taxation charge for the year	**1.0**	4.4

Taxation appropriately reflects changes in applicable tax rates which had been substantively enacted by 31 March 2024. There are not considered to be any factors that may affect future tax charges.

5. Cash at bank and in hand

	2024	2023
	£m	£m
Balances with the Government Banking Service	**38.4**	44.6
Balances with other banks	**4.8**	12.0
	43.2	56.6

Balances with the Government Banking Service earn interest at rates linked to Bank of England Base Rate.

None of the Company's cash at bank and in hand balances are impaired and all are with UK institutions. The Government Banking Service is rated AA. All of the balances with are with a bank rated A+. Expected credit losses arising in the year to 31 March 2024 are not material, and no provision has been made.

6. Retirement benefit assets and obligations

On 20 June 2019 responsibility for the funded defined benefit pension schemes was transferred from B&B and NRAM to UKAR. Further details in respect of the schemes are given in sections (a) heritage B&B schemes, (b) heritage NRAM schemes and (c) B&B post-retirement medical and B&B and NRAM unfunded pension scheme below. HM Treasury has committed that it will ensure that the Company has sufficient funds to make any necessary future contributions to the defined benefit schemes for which the Company is responsible. In March 2022 primary legislation was passed supporting the government's intention to transfer the members of the B&B and NRAM defined benefit schemes to a new statutory, public service pension scheme. The pensions will remain the responsibility of UKAR until such time as appropriate secondary legislation is enacted and the transfer is executed.

Responsibility for the funding of the B&B post-retirement medical scheme and the B&B and NRAM unfunded pension scheme (see note 6(c)) was transferred from B&B and NRAM to UKAR on 8 October 2021 in preparation for the sale of B&B and NRAM for cash consideration.

The 'administrative expenses' line of the Income Statement includes the interest credit or cost on each defined benefit scheme's net asset or liability. The current service cost of the defined benefit schemes is £nil, as the schemes are now closed to future service accrual. The full net surplus or deficit in respect of the medical scheme and each defined benefit pension scheme is carried on the Company's Balance Sheet, and gains and losses arising due to actuarial revaluations are taken to other comprehensive income rather than being credited or charged in the Income Statement.

The amounts carried on the Company's Balance Sheet are as follows:

	Funded defined benefit pension plans		**Other***		**Total**	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Present value of defined benefit obligations	**(1,050.4)**	(1,074.3)	**(15.7)**	(14.5)	**(1,066.1)**	(1,088.8)
Fair value of defined benefit assets	**1,397.2**	1,487.8	**—**	—	**1,397.2**	1,487.8
Net defined benefit asset/(liability)	**346.8**	413.5	**(15.7)**	(14.5)	**331.1**	399.0

** Other comprises unfunded post-retirement medical benefit obligations and other unfunded post-retirement benefits.*

6. Retirement benefit assets and obligations (continued)

The amounts recognised in the Company's Income Statement and other comprehensive income in respect of defined benefit arrangements were as follows:

	Funded defined benefit pension plans		Other		Total	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Other Credit to administrative expenses (see note 3)	**13.6**	12.5	**(0.8)**	(0.6)	**12.8**	11.9
Total Credit recognised in the Income Statement	**13.6**	12.5	**(0.8)**	(0.6)	**12.8**	11.9
Charge to other comprehensive income	**(90.4)**	(236.8)	**(1.4)**	4.8	**(91.8)**	(232.0)

(a) Heritage Bradford & Bingley schemes

(i) Funded defined benefit pension scheme

B&B operated a defined benefit staff pension scheme, the Bradford & Bingley Staff Pension Scheme ('the B&B Scheme'), which is administered by 'the Trustee'. The Company became the sponsoring company of this scheme in place of B&B on 20 June 2019. The Trustee is responsible for ensuring the Scheme meets its Statutory Funding Objective which is set by The Pensions Regulator. The Scheme provides benefits to members on a final salary basis. On 31 December 2009 the Scheme was closed to future service accrual; all members became deferred members and were given the option to join a defined contribution scheme from 1 January 2010. The normal pension age of members of the B&B Scheme is 60 for those who left before 6 April 2005 and 65 for the other members. Deferred pension entitlement increases are calculated by reference to the Consumer Price Index ('CPI').

The credit or cost to the Company of funding the Scheme guaranteed benefits varies over time, dependent on market conditions and life expectancies. The credit in the year was £10.1m (31 March 2023: credit of £9.4m) and the retirement benefit remeasurement loss recognised in other comprehensive income during the year was £60.3m (2023: loss of £176.4m).

The assets of the Scheme are held in a separate trustee-administered fund. The Trustee of the Scheme has passed a resolution for the ultimate refund to the Company of any future surpluses on the Scheme and as detailed in note 2(b) it is considered appropriate to carry net surpluses on the Scheme in full on the Balance Sheet.

The latest formal triennial valuation of the B&B scheme, prepared by the scheme actuaries as at 30 June 2021 and agreed in July 2022, showed a surplus of £129.0m on a Trustee's valuation basis.

The Trustee manages the volatility in the value of the Scheme's assets by limiting the exposure to return-seeking assets and using liability-driven investment strategies to increase the level of hedging against investment risks. The two key investment risks are interest rate risk and inflation risk relating to the B&B Scheme's obligations. The Scheme has a written guarantee from HM Treasury that benefits will be paid in full to the members.

(ii) Defined benefit obligations

The amounts carried on the Balance Sheet are as follows:

	2024	2023
	£m	£m
Present value of defined benefit obligations	**(700.3)**	(721.9)
Fair value of defined benefit assets	**929.9**	996.1
Net defined benefit asset	**229.6**	274.2

6. Retirement benefit assets and obligations (continued)

(a) Heritage Bradford & Bingley schemes (continued)

(ii) Defined benefit obligations (continued)

The amounts recognised in the Income Statement were as follows:

	2024	2023
	£m	£m
Other credit to administrative expenses (see note 3)	**10.1**	9.4
Total credit recognised in the Income Statement	**10.1**	9.4
Charge to other comprehensive income	**(60.3)**	(176.4)

Movements in the present value of defined benefit obligations were as follows:

	2024	2023
	£m	£m
At start of year	**721.9**	958.2
Interest on defined benefit obligations	**33.3**	25.3
Remeasurements:		
- effect of changes in demographic assumptions	**(2.1)**	2.8
- effect of changes in financial assumptions	**(13.7)**	(274.9)
- effect of experience adjustments	**(10.3)**	43.4
Benefits paid from plan	**(28.8)**	(39.0)
Introduction of insured pensioner liabilities	**–**	6.1
At end of year	**700.3**	721.9

Movements in the fair value of defined benefit assets were as follows:

	2024	2023
	£m	£m
At start of year	**996.1**	1,399.3
Interest income on defined benefit assets	**46.2**	37.2
Defined benefit company contributions	**5.6**	0.1
Remeasurements:		
- return on plan assets (excluding interest income)	**(86.4)**	(405.1)
Administrative expenses paid from plan assets	**(2.8)**	(2.5)
Benefits paid from plan	**(28.8)**	(39.0)
Introduction of insured pensioner liabilities	**–**	6.1
At end of year	**929.9**	996.1

The major categories of defined benefit assets at the end of the year were as follows:

			2024			2023
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Bulk annuity contracts	**–**	**6.1**	**6.1**	–	6.1	6.1
Bonds (UK)	**17.4**	**–**	**17.4**	17.3	–	17.3
Liability-hedging investments	**891.3**	**–**	**891.3**	987.4	–	987.4
Repurchase agreements	**–**	**–**	**–**	(25.3)	–	(25.3)
Cash and cash equivalents	**–**	**15.1**	**15.1**	–	10.6	10.6
Total	**908.7**	**21.2**	**929.9**	979.4	16.7	996.1

6. Retirement benefit assets and obligations (continued)

(a) Heritage Bradford & Bingley schemes (continued)

(ii) Defined benefit obligations (continued)

Summary actuarial assumptions (expressed as weighted averages) were as follows:

	2024	2023
To determine benefit obligations:		
Discount rate	**4.80 %**	4.70 %
Inflation (RPI)	**3.30 %**	3.35 %
Difference between CPI and RPI (see below)	**1.00% / 0.00%**	1.00% / 0.00%
Deferred revaluation	**2.55 %**	2.55 %
Pension increases in payment:		
Fixed 3% pa	**3.00 %**	3.00 %
RPI min 3% max 5% pa	**3.65 %**	3.70 %
RPI min 0% max 5% pa	**3.20 %**	3.25 %
CPI min 0% max 3% pa	**2.35 %**	2.35 %

In November 2020, HM Treasury and the UK Statistics Authority ('UKSA') released their joint response to a consultation on changing the methodology used to calculate the Retail Price Index ('RPI'). As part of this, the UKSA confirmed that they plan from 2030 to align the calculation of RPI closely to CPIH, a variant of CPI with includes owner occupiers' housing costs. The Directors have decided that, for the purposes of calculating the Company's defined benefit obligations as at 31 March 2024 and 31 March 2023, they will continue to assume that RPI will be 1% higher than CPI until 2030 but that thereafter CPI and RPI will be equal.

The expected return on the assets is set as the prior year end discount rate.

The table below shows the life expectancy assumptions from age 60:

		2024		2023
	Pensioner	**Non-retired member**	Pensioner	Non-retired member
Male	**27.1**	**28.6**	27.1	28.4
Female	**29.9**	**31.3**	29.8	31.2

Maturity profile of the obligation
At 31 March 2024 the defined benefit obligations UKAR holds responsibility for had an overall weighted average maturity of around 13 years (2023: 14 years).

Sensitivity
The following table illustrates the sensitivity of the defined benefit pension scheme obligations to three key assumptions: the discount rate, the rate of inflation and the mortality assumption:

Assumption	**Change in assumption**	**Impact on obligations**	**£m**
Discount rate	Decrease by 0.5%	Increase by 7%	**47.8**
Inflation	Increase by 0.5%	Increase by 7%	**38.3**
Mortality	Mortality age rating increase by 1 year	Decrease by 3%	**(19.7)**

In each case, the impact is calculated by applying the one change, with all other assumptions unchanged. If the assumptions were to change by the same amount in the opposite direction to those illustrated, the obligations would decrease by a similar percentage to those shown in the table in each case.

6. Retirement benefit assets and obligations (continued)

(b) Heritage NRAM schemes

(i) Funded defined benefit pension scheme

Northern Rock plc operated a staff pension scheme which was closed on 31 December 2009 and is now known as the NRAM Scheme. The Company became the sponsoring company of the scheme in place of NRAM on 20 June 2019. The Scheme is administered by 'the Trustee' who is responsible for ensuring the Scheme meets its Statutory Funding Objective which is set by The Pensions Regulator. The Scheme provides benefits to members on a final salary basis. The normal pension age of members of the Scheme is 60. Deferred pension entitlement increases are calculated by reference to RPI.

The credit or cost of funding the Scheme guaranteed benefits varies over time, dependent on market conditions and life expectancies. The credit in the year was £3.5m (2023: credit of £3.1m) and the retirement benefit remeasurement loss recognised in other comprehensive income during the year was £30.1m (2023: loss of £60.4m).

The assets of the Scheme are held in a separate trustee-administered fund. The Trustee of the Scheme has passed a resolution for the ultimate refund to the Company of any future surpluses on the Scheme and as detailed in note 2(b) it is considered appropriate to carry net surpluses on the scheme in full on the Balance Sheet.

The latest formal triennial valuation of the NRAM scheme, prepared by the scheme actuaries at 5 April 2021 and agreed in March 2022, showed a surplus of £75.4m on a Trustee's valuation basis.

The Scheme has instigated a liability-driven investment programme, including bulk annuity contracts and liability-hedging investments.

(ii) Funded defined benefit obligations

The amounts carried on the Balance Sheet are as follows:

	2024	2023
	£m	£m
Present value of defined benefit obligations	**(350.1)**	(352.4)
Fair value of defined benefit assets	**467.3**	491.7
Net defined benefit asset	**117.2**	139.3

The amounts recognised in the Income Statement were as follows:

	2024	2023
	£m	£m
Other credit to administrative expenses (see note 3)	**3.5**	3.1
Total credit recognised in the Income Statement	**3.5**	3.1
Charge to other comprehensive income	**(30.1)**	(60.4)

Movements in the present value of defined benefit obligations were as follows:

	2024	2023
	£m	£m
At start of year	**352.4**	478.9
Interest on defined benefit obligations	**16.2**	12.7
Remeasurements:		–
- effect of changes in demographic assumptions	**(0.3)**	–
- effect of changes in financial assumptions	**(7.4)**	(133.3)
- effect of experience adjustments	**4.7**	11.7
Benefits paid from plan	**(15.5)**	(17.6)
At end of year	**350.1**	352.4

6. Retirement benefit assets and obligations (continued)

(b) Heritage NRAM schemes (continued)

(ii) Funded defined benefit obligations (continued)

Movements in the fair value of defined benefit assets were as follows:

	2024 £m	2023 £m
At start of year	**491.7**	675.5
Interest income on defined benefit assets	**22.8**	18.0
Defined benefit company contributions	**4.5**	–
Remeasurements:		
- return on plan assets (excluding interest income)	**(33.1)**	(182.0)
Administrative expenses paid from plan assets	**(3.1)**	(2.2)
Benefits paid from plan	**(15.5)**	(17.6)
At end of year	**467.3**	491.7

The major categories of defined benefit assets at the end of the year were as follows:

	Quoted £m	Unquoted £m	2024 Total £m	Quoted £m	Unquoted £m	2023 Total £m
Bulk annuity contracts	**–**	**198.1**	**198.1**	–	207.2	207.2
Liability-hedging investments	**264.9**	**–**	**264.9**	281.8	–	281.8
Cash and cash equivalents	**–**	**4.3**	**4.3**	–	2.7	2.7
Total	**264.9**	**202.4**	**467.3**	281.8	209.9	491.7

Summary actuarial assumptions (expressed as weighted averages) were as follows:

	2024	2023
To determine benefit obligations:		
Discount rate	**4.80 %**	4.70 %
Inflation (RPI)	**3.30 %**	3.35 %
Difference between CPI and RPI (see below)	**1.00% / 0.00%**	1.00% / 0.00%
Deferred revaluation	**3.35 %**	3.30 %
Pension increases in payment:		
Fixed 3% pa	**3.00 %**	3.00 %
RPI min 3% max 5% pa	**3.65 %**	3.70 %
RPI min 0% max 5% pa	**3.20 %**	3.25 %
CPI min 0% max 3% pa	**2.35 %**	2.35 %

In November 2020, HM Treasury and the UK Statistics Authority (‘UKSA’) released their joint response to a consultation on changing the methodology used to calculate the Retail Price Index (‘RPI’). As part of this, the UKSA confirmed that they plan from 2030 to align the calculation of RPI closely to CPIH, a variant of CPI with includes owner occupiers’ housing costs. The Directors have decided that, for the purposes of calculating the Company’s defined benefit obligations as at 31 March 2024 and 31 March 2023, they will continue to assume that RPI will be 1% higher than CPI until 2030 but that thereafter CPI and RPI will be equal.

The expected return on the assets is set as the prior year end discount rate.

The table below shows the life expectancy assumptions from age 60:

	2024 Pensioner	2024 Non-retired member	2023 Pensioner	2023 Non-retired member
Male	**27.5**	**29.0**	27.5	28.8
Female	**29.9**	**31.2**	29.8	31.1

6. Retirement benefit assets and obligations (continued)

(b) Heritage NRAM schemes (continued)

(ii) Funded defined benefit obligations (continued)

Maturity profile of the obligation
At 31 March 2024 the defined benefit obligations UKAR holds responsibility for had an overall weighted average maturity of around 13 years (2023: 14 years).

Sensitivity
The following table illustrates the sensitivity of the defined benefit pension scheme obligations to three key assumptions: the discount rate, the rate of inflation and the mortality assumption:

Assumption	Change in assumption	Impact on obligation	£m
Discount rate	Decrease by 0.5%	Increase by 7%	**24.8**
Inflation	Increase by 0.5%	Increase by 7%	**11.2**
Mortality	Mortality age rating increase by 1 year	Decrease by 3%	**(9.8)**

In each case, the impact is calculated by applying the one change, with all other assumptions unchanged. If the assumptions were to change by the same amount in the opposite direction to those illustrated, the obligations would decrease by a similar percentage to those shown in the table in each case.

(c) Unfunded and PMI defined benefit obligations

Responsibility for the provision of post-retirement medical benefits and funding of certain unfunded obligations was transferred from NRAM and B&B to UKAR on 8 October 2021 in preparation for the sale of B&B and NRAM. The obligations were transferred at their IAS 19 valuation at that date of £20.8m for cash consideration. The medical benefits are provided through a scheme into which the Company contributes 100% towards the cost of providing the benefits for members who retired before 1 January 1996 and 50% for members who retired after this date. The unfunded pension scheme is in respect of a small number of former NRAM employees and widows of former B&B employees, all of whom are receiving their pension. The value of the obligation is assessed in accordance with the advice of a qualified actuary.

Benefits are provided on a final salary basis and pension increases are either calculated by reference to RPI or increase by 3.0% pa.

The cost of funding these obligations varies over time, dependent on market conditions and life expectancies.

The amounts carried on the Balance Sheet are as follows:

			2024			2023
	Unfunded	**PMI**	**Total**	Unfunded	PMI	Total
	£m	**£m**	**£m**	£m	£m	£m
Present value of defined benefit obligations	**10.3**	**5.4**	**15.7**	10.4	4.1	14.5
Fair value of defined benefit assets	**–**	**–**	**–**	–	–	–
Net defined benefit asset	**10.3**	**5.4**	**15.7**	10.4	4.1	14.5

The amounts recognised in the Income Statement were as follows:

			2024			2023
	Unfunded	**PMI**	**Total**	Unfunded	PMI	Total
	£m	**£m**	**£m**	£m	£m	£m
Interest charge on defined benefit obligation	**(0.5)**	**(0.3)**	**(0.8)**	(0.4)	(0.2)	(0.6)
Total charge recognised in the Income Statement	**(0.5)**	**(0.3)**	**(0.8)**	(0.4)	(0.2)	(0.6)
Credit to other comprehensive income	**–**	**(1.4)**	**(1.4)**	3.1	1.7	4.8

6. Retirement benefit assets and obligations (continued)

(c) Unfunded and PMI defined benefit obligations (continued)

Movements in the present value of defined benefit obligations were as follows:

			2024			2023
	Unfunded	**PMI**	**Total**	Unfunded	PMI	Total
	£m	**£m**	**£m**	£m	£m	£m
At start of year	**10.4**	**4.1**	**14.5**	13.6	5.9	19.5
Interest on defined benefit obligations	**0.5**	**0.3**	**0.8**	0.4	0.2	0.6
Remeasurements:						
- effect of changes in financial assumptions	**(0.2)**	**–**	**(0.2)**	(3.3)	(0.9)	(4.2)
- effect of changes in experience adjustments	**0.2**	**1.4**	**1.6**	0.2	(0.8)	(0.6)
Benefits paid from plan	**(0.6)**	**(0.4)**	**(1.0)**	(0.5)	(0.3)	(0.8)
At end of year	**10.3**	**5.4**	**15.7**	10.4	4.1	14.5

The actuarial assumptions used in respect of discount rates and inflation for both the unfunded and PMI defined benefit obligations were consistent with those for the funded defined benefit schemes. The life expectancy assumptions for the B&B unfunded and PMI defined benefit obligations were consistent with those for the Heritage Bradford & Bingley schemes, and the life expectancy assumptions for the NRAM unfunded defined benefit obligations were consistent with those for the Heritage NRAM schemes. In addition, in respect of the PMI defined benefit obligations, medical inflation is assumed to be 5.5% (2023: 5.5%).

Maturity profile of the obligation
At 31 March 2024 the defined benefit obligations UKAR holds responsibility for had an overall weighted average maturity of around 13 years (2023: 14 years).

Sensitivity
The following table illustrates the sensitivity of the defined benefit obligations to three key assumptions: the discount rate, the rate of inflation and the mortality assumption:

			Unfunded	**PMI**
Assumption	**Change in assumption**	**Impact on obligation**	**£m**	**£m**
Discount rate	Decrease by 0.5%	Increase by 7%	**0.6**	**0.3**
Inflation	Increase by 0.5%	Increase by 7%	**0.3**	**0.3**
Mortality	Mortality age rating increase by 1 year	Decrease by 3%	**(0.4)**	**(0.3)**

In each case, the impact is calculated by applying the one change, with all other assumptions unchanged. If the assumptions were to change by the same amount in the opposite direction to those illustrated, the obligations would decrease by a similar percentage to those shown in the table in each case.

7. Trade and other payables

At 31 March 2024 the Company's trade and other payables comprised the following:

	2024	2023
	£m	£m
Accruals	**2.6**	6.1

8. Deferred taxation

The Company's net deferred taxation liability is attributable to the following:

	Assets		Liabilities		Net	
				As restated		As restated
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Authorised surplus payment charge on pension surpluses	**–**	–	**(86.8)**	(144.7)	**(86.8)**	(144.7)

The movements in the Company's deferred taxation during the current and previous year were as follows:

	1 April 2023 As restated	**Recognised in income**	**Recognised in equity**	**31 March 2024**
	£m	**£m**	**£m**	**£m**
Authorised surplus payment charge on pension surpluses	**(144.7)**	**(1.0)**	**58.9**	**(86.8)**

	1 April 2022	Recognised in income	Recognised in equity	31 March 2023
	As restated	As restated	As restated	As restated
	£m	£m	£m	£m
Authorised surplus payment charge on pension surpluses	(223.2)	(4.4)	82.9	(144.7)

The funded defined benefit pension schemes of B&B and NRAM (see note 6) transferred from B&B and NRAM to the Company on 20 June 2019, at their IAS 19 values at that date. On that date the Company recognised in full to equity deferred tax provisions totalling £124.2m in relation to the schemes. This treatment of deferred tax on initial recognition of the schemes was considered appropriate as the Company would be liable for any tax arising on any future refunds from the schemes and acquired the schemes at a price which did not reflect this potential future exposure.

The Company has not recognised deferred tax assets associated with corporation tax of £5.8m (2023 restated: £3.9m) relating to temporary differences and £4.6m (2023 restated: £2.9m) relating to losses. The Company does not anticipate realising sufficient profits which would be taxable under corporation tax against which these assets could be utilised and has not recognised them accordingly.

The principal movement in the deferred tax balance for the year ended 31 March 2024 was as a result of a reduction in the rate applicable to Authorised Surplus Payment Charges from 35% to 25%.

9. Provisions

The movements in the Company's provisions during the year and previous year were as follows:

			2024			2023
	Indemnity	**Other**	**Total**	Indemnity	Other	Total
	£m	**£m**	**£m**	£m	£m	£m
At 1 April 2023	**6.1**	**0.4**	**6.5**	9.6	0.9	10.5
Additions in the year	**0.1**	**–**	**0.1**	0.7	–	0.7
Utilised in the year	**(1.1)**	**(0.3)**	**(1.4)**	(1.6)	(0.5)	(2.1)
Released to the income statement	**(1.1)**	**–**	**(1.1)**	(2.6)	–	(2.6)
At 31 March 2024	**4.0**	**0.1**	**4.1**	6.1	0.4	6.5

At the point of the sale of B&B and NRAM indemnities came into effect under which the Company assumed liability for the warranties and indemnities provided to the purchasers of the loan portfolios sold in February 2021. Under the terms of the company sales, the Company has also provided the purchaser of B&B and NRAM certain warranties and indemnities in respect of their ongoing obligations concerning PPI, complaints, and other remediation matters. The Company recognised a provision of £13.9m at the point of disposal in respect of these indemnities along with a further £1.2m in respect of other liabilities assumed.

At 31 March 2024 the provisions are carried at £4.1m (2023: £6.5m); this represents management's best estimate of future costs and the substantial majority of the provisions are expected to be utilised within the next two years. The value and timing of payments made is dependent on when relevant claims are agreed with current estimates being that £1.2m (2023: £1.9m) of the provisions will be utilised in one year and £2.9m (2023: £4.6m) after one year. As such, these provisions are not discounted as the impact of discounting is immaterial.

10. Share capital

	25p Ordinary shares	**25p Ordinary shares**	Total share capital
	Number	**£**	£
Issued and fully paid			
At 1 April 2022, 31 March 2023 and 31 March 2024	**4,959,595**	**1,239,899**	1,239,899

In accordance with the Companies Act 2006, the Company does not have authorised capital other than its issued capital.

The Ordinary shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up.

During the year the Company did not declare or pay interim dividends (2023: £Nil). No further dividends had been proposed by the date of approval of these Financial Statements.

11. Related party disclosures

(a) Key management personnel
The Company considers the Board of Directors to be the Key Management Personnel. There were no amounts owed to or by key management personnel at any time during the year (2023: £Nil).

Remuneration payable by UKAR in respect of the Board of Directors for the year ended 31 March 2024, and included in the Company's Income Statement, was £130,000 (2023: £130,000). No pension entitlement accrues to any of the key management personnel (2023: £Nil). More detail is included in the Directors' Remuneration Report on pages 12 to 13.

The aggregate Directors' emoluments amounted to £130,000 (2023: £130,000).

(b) UK Government
As described in note 15, the Company considers the UK Government to be its ultimate controlling party. The Company's material balances with departments and bodies of the Government includes deposits with the Government Banking Service as disclosed in note 5. During the year the Company did not declare or pay dividends (2023: £Nil) to HM Treasury.

The Company received £19.9m (2023: £19.3m) of Grant-in-Aid funding from the UK Government in the year.

12. Capital structure

The Company's capital is represented by the capital and reserves attributable to the equity holder. The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies. The Company manages its capital and reserves in order that there is sufficient capital to meet the needs of the Company in its operations, subject to the availability of the Grant-in-Aid funding from the UK Government.

13. Financial instruments

The Company holds financial assets of £43.2m (2023: £56.7m) comprising cash at bank and in hand and trade and other receivables.

The Company also holds financial liabilities of £2.6m (2023: £6.1m) comprising trade and other payables (excluding taxation and social security).

Both financial assets and liabilities are all held at amortised cost which is equivalent to the fair value for both the current and prior financial year.

No financial assets or liabilities were reclassified during the current or previous year between amortised cost and fair value categories.

Cash at bank and in hand is considered to be a level 1 item. All other financial assets and liabilities are considered to be level 3 items (i.e. inputs for the asset or liability that are not based on observable market data or have significant unobservable inputs). There were no transfers between Levels 1, 2 and 3 during the year (2023: none).

Valuation methods for fair values are as follows:
Cash at bank and in hand

The fair value is estimated to be the carrying amount as the balances are considered to be repayable on demand.

Other financial assets and liabilities
Fair value approximates to carrying value because the balances are short term in nature.

Offsetting
At 31 March 2024 and 31 March 2023 no financial assets have been offset against financial liabilities. No balances are subject to enforceable master netting arrangements or similar agreements.

14. Financial risk management

(a) Credit risk
Credit risk is the risk of financial loss caused by a party failing to meet an obligation as it becomes due. The Company closely monitors its credit risk against the Board's credit policies.

The Company's maximum credit risk exposure at the Balance Sheet date was as follows:

	2024	2023
	£m	£m
On Balance Sheet:		
Cash at bank and in hand	**43.2**	56.6
Other receivables	**–**	0.1
Total	**43.2**	56.7

Additional information in respect of credit risk on cash at bank and in hand is provided in note 5. The credit risk on other receivables is immaterial.

(b) Liquidity risk
The Company closely monitors its liquidity position against the Board's liquidity policy. The Board aims to maintain sufficient liquidity to settle balances as they fall due for payment.

The financial assets and liabilities are all held on demand (2023: all held on demand).

Assets and liabilities with a remaining period to contractual maturity of within one year are classed as current and those with a remaining period of more than one year are classed as non-current. The Company's non-financial assets and liabilities amount to £346.8m and £106.6m respectively (2023 restated: £413.5m and £165.7m) of which £Nil and £1.2m respectively are classed as current (2023: £Nil and £1.9m) and £346.8m and £105.4m respectively are classed as non-current (2023 restated: £413.5m and £163.8m).

(c) Market risk
At 31 March 2024 and 31 March 2023 the Company had no exposure to foreign exchange rate fluctuations or changes in foreign currency interest rates or any significant exposure to other market risk. Detail of the management of risk in the pension schemes is provided in note 6.

15. Ultimate controlling party

All shares in the Company are owned by the Treasury Solicitor as nominee for HM Treasury, and the Company considers the UK government to be its ultimate parent and controlling party. The Company's Financial Statements are consolidated into the Annual Report & Accounts of HM Treasury which are available at www.gov.uk/official-documents. HM Treasury is domiciled in the United Kingdom and is located at 1 Horse Guards Road, London SW1A 2HQ.

16. Contingent liabilities

Following completion of the company sales on 29 October 2021, the Company assumed ultimate liability for the warranties and indemnities provided to the purchasers of the loan portfolios sold in February 2021. Under the terms of the company sales, the Company also provided the purchaser of the companies certain warranties and indemnities in respect of the sale. Through commitments made by HM Treasury, the Company is satisfied that it will have sufficient funds to meet its liabilities arising from any claims made. It is not possible to provide any meaningful estimate or range of the possible cost over and above the indemnity provision currently carried and no such provision has been made.

17. Events after the reporting period

The Directors are of the opinion that there have been no significant events which have occurred since 31 March 2024 to the date of this Report that are likely to have a material effect on the Company's financial position as disclosed in these Financial Statements.

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