UK Asset Resolution Limited

Annual Report & Accounts

for the 12 months to 31 March 2022

Registered in England and Wales under company number 07301961

CP 718

July 2022

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Presented to Parliament
by the Economic Secretary to the Treasury
by Command of Her Majesty

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Any enquiries related to this publication should be sent to us at ukar@brunswickgroup.com.

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Company number 07301961

Contents

Chair's statement

As I reported last year, in February 2021 we agreed the sale of Bradford & Bingley PLC ('B&B') and NRAM Limited ('NRAM') and their subsidiary companies and the return of all of the loan assets of UK Asset Resolution Limited ('UKAR') to private ownership. This sale process concluded in October 2021 and brought to a close the government's ownership of B&B and NRAM, with the legal and regulatory responsibility for the operating companies returning to the private sector. Throughout the process we worked closely with UK Government Investments Limited ('UKGI') and HM Treasury to ensure that the transaction met all the conditions within our value for money framework and that customers were appropriately protected.

Following the government's interventions in 2008, UKAR's former subsidiaries had access to low, or zero, cost funding, without which their capital base would have been eroded and they would not have made profits. The UK taxpayer has borne the costs of this funding over the past ten years. UKAR has already fully repaid the government loans and any surplus funds are now being distributed to HM Treasury through dividends, with £4.85bn paid in 2021/22, and, as confirmed in the Office for Budget Responsibility ('OBR') financial interventions table included within their Economic and Fiscal Outlook in 2021, the taxpayer has therefore substantially recovered all actual and opportunity costs suffered as a result.

Two members of the UKAR Board, Brendan McDonagh and Brendan Russell, resigned on completion of the sale process in October 2021 in order to remain as independent members of the Boards of B&B and NRAM. Our two executive Board members, Ian Hares and Mark Wouldhave also resigned from the Board at the same time. Mark Wouldhave continued as Managing Director of B&B and NRAM, while Ian Hares has become a Senior Adviser to UKAR. I am most grateful to them all for their valuable service to UKAR and we miss their wise counsel on the Board, though I am pleased that we continue to benefit from Ian's knowledge and experience.

Following completion of the sale, UKAR has remained in government ownership, responsible for meeting contractual obligations to the buyer, 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 is now to deal with remaining legacy matters in an orderly fashion, including the transfer of the pension schemes and obligations to HM Government under the provisions of the recently enacted Public Service Pensions and Judicial Offices Act 2022, and then to allow for the dissolution of the Company in a timely manner.

John Tattersall LVO
Chair
18 July 2022

Strategic Report

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 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 was based on the portfolio position as at 31 March 2020 of c.£5.0bn from which point the buyers retrospectively acquired the cashflows from ownership of c.38,000 loans held with the purchase price adjusted for the cashflows after 1 April 2021 up to the date of completion in October 2021 accordingly.

Following the sale of B&B and NRAM, UKAR has one remaining inactive subsidiary company, UKAR Corporate Services Limited, which was in members voluntary liquidation as at 31 March 2022, and is immaterial to the Company. As such, these financial statements present the results and financial position of the Company only, as permitted by the Companies Act 2006.

Business review

As noted above, the key event of the year was the completion of the process to sell UKAR's interests in B&B and NRAM which concluded on 29 October 2021.

UKAR recognised a loss in the year to 31 March 2022 of £1.0m (2021: profit £59.7m). In the year, the company recognised a profit before tax of £2.2m with the loss after tax being principally driven by a tax charge of £3.2m which arose from an increase in the rate at which deferred tax liabilities have been recognised.

UKAR paid £4,850.0m (2021: £575.0m) of dividends to its shareholder which was a result of the realisation of its investments in B&B and NRAM.

At 31 March 2022, UKAR had net assets of £501.9m (2021: £5,371.4) 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 2021/22 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 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 LVO
Chair
18 July 2022

Directors' Report

The Directors present their report for UK Asset Resolution Limited (the 'Company' or 'UKAR') for the year ended 31 March 2022. 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 2022 is presented within the Strategic Report on page 3.

Future developments

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

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. Following the completion of the sale of UKAR's interests in B&B and NRAM in October 2021, the Framework Document was updated to reflect 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.

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. Up until 29 October 2021, this was:

"To develop and execute a strategy for disposing of its intervention in B&B and NRAM in an orderly and active way through sale, redemption, buy-back or other means within the context of protecting and creating value for the taxpayer as shareholder and, where applicable, as provider of financial support, paying due regard to the maintenance of financial stability and to acting in a way that promotes competition."

The revised Framework Document in place since the return of B&B and NRAM to private ownership defines UKAR's Overarching Objective as "managing any liabilities and other strategic matters arising out of HM Treasury's former investment in the Former Subsidiaries (NRAM and B&B and their respective subsidiaries)". This includes managing and administering warranty and indemnity claims, monitoring and ensuring that contractual obligations such as customer protections agreed in previous asset sales are complied with, 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 2021/22:

John Tattersall – 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.

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 (formerly Retail Charity Bonds PLC) and a Non-Executive Director of UBS Business Solutions 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.

Sue Langley - 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.

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

Previous roles include 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 and a member of the Executive Team of the Hiscox Group and Board member for Hiscox Syndicates and Hiscox Insurance. She joined Hiscox from PricewaterhouseCoopers where she was a Principal Consultant working with a range of FTSE companies.

Keith Morgan – Non-Executive Director

Keith joined the Board of UKAR in October 2010.

He is Chair of ThinCats Group Ltd, a lender to medium sized businesses, a Trustee of the Design Council 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 UKGI, responsible for managing the government's 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.

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 2020/21

Following the sale of B&B and NRAM, Ian Hares, Brendan McDonagh, Brendan Russell and Mark Wouldhave all stood down from the office of Director. In addition, Claire Craigie stood down as Company Secretary.

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. Sue Langley is the Senior Independent Director of UKAR.

How the Board operated in 2021/22

Board structure and governance

Up until the completion of the sale of B&B and NRAM, the Board structure and governance procedures were as disclosed in the 2020/21 financial statements.

Subsequent to the sale, the Board has comprised 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 since undertaken all committee activities itself, including audit, risk, remuneration and nominations.

From the completion of the sale, the Board met monthly until March 2022 and moved to meeting on a quarterly basis thereafter, supplemented by monthly Governance meetings which includes 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.

Directors' Report (continued)

Board activities 2021/22

The Board's primary role throughout the year has continued to be to provide leadership and oversight to ensure the overarching objectives in the Framework Document are met.

In doing so, the Board has overseen the sale of B&B and NRAM and in this respect has:

- overseen the completion of the sales process;
- approved the proposed governance arrangements to be introduced by UKAR following the sale of the Principal Subsidiaries; including the appointment of the outsourced provider PwC;
- monitored the resolution of legacy issues; and
- identified and monitored any conflicts of interest.

In addition to the above, the Board continued to provide oversight in relation to ongoing key business activities during 2021/22 which have included:

- approving key performance indicators and endorsing Balanced Scorecard results; and
- approving the payment of interim dividends.

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. Anna Caffyn, HMT Finance Director is currently attending Board meetings in an observer capacity;
- the Chair will discuss with the Nominated Officer any impending changes to Board membership;
- the Articles of Association require that at every Annual General Meeting each Director shall retire from office and may offer themselves for re-appointment;
- Non-Executive Directors are appointed for a term of 12 months, subject to re-appointment in accordance with the above procedures;
- 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.

Directors' Report (continued)

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 2021/22, 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.

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 2022, 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 an internal audit review, which was reviewed by the Board at its meeting on 7 July 2022, carried out by the Government Internal Audit Agency who determined that the framework of governance, risk management and control is adequate across all areas reviewed.

Directors' Report (continued)

Following the introduction of remote working arrangements in response to COVID-19, a small number of changes were made to the control environment in line with regulatory and government guidance, these remained in place across the year and continue be at the time of this report. 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 Company is committed to developing and 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.

The risk management process is complemented by a formalised reporting and escalation process for emerging control issues. Internal Audit 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 consider the risk profile and receive monitoring reports to update them on progress.

The system of risk management and internal control has been in place throughout 2021/22 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 2021/22 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.

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.

Following the sale of B&B and NRAM, the Company distributed the majority of its cash reserves to HM Treasury at its request. In doing so, the Directors 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 near 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 for a period of not less than 28 months from 31 March 2022.

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 have no reason to believe that support to UKAR from HM Treasury will be withdrawn or curtailed after 31 July 2024 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.

Directors' Report (continued)

Remote contingent liabilities (audited)

In addition to the contingent liabilities disclosed in note 20 in accordance with IAS 37, the 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 2022 comprised certain fundamental 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 defects covered by the warranties. Given their nature, the probability of such occurrence is considered remote. The warranties remaining at 31 March 2022 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) Indemnities in connection with a sale of loans in December 2018 limited to the £58.4m sale price.

(d) Warranties in connection with a sale of loans in September 2018 limited to £194.5m.

(e) Warranties and indemnities in connection with a sale of loans in April 2018 limited to the £5.4bn sale price.

(f) Warranties and indemnities in connection with a sale of loans in March 2017 limited to the £11.4bn sale price

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 constituted 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 2022 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 2022.

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

Directors' Report (continued)

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, which commenced on 1 November 2021 following the completion of the sale.

Up to the date of sale, remuneration for all Company Directors was borne by the subsidiary companies with no recharge made to UKAR in the year ended 31 March 2022. Directors were remunerated for their services to the group rather than remuneration being allocated to individual entities. As such, the disclosures made below relate only to the remuneration incurred in respect of the ongoing Non-Executive Directors and, in respect of payments made, those paid by UKAR only.

Executive Directors

From the period 1 April 2021 to 29 October 2021, Ian Hares and Mark Wouldhave were both executive directors of UKAR. As noted above, both directors were employed by UKAR's subsidiaries and no element of their remuneration was recharged to UKAR for that period. In the prior year, UKAR was recharged £14,000 for directors' services which included those of both the executive and non-executive directors.

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 the table below.

Per annum (£)	1 April 2021 to 31 October 2021	1 November 2021 to 31 March 2022	1 April 2022 onwards
Board Chair	125,000	90,000	60,000
NED Base fee / Senior Independent Director	50,000	50,000	35,000
Committee Chair	15,000	-	-
Committee Member	5,000	-	-

Remuneration Payments for Directors (Audited)

Fees paid by UKAR (£) [1, 2]	April 2021 - March 2022
John Tattersall	37,500
Ian Hares (Executive)	-
Mark Wouldhave (Executive)	-
Sue Langley	20,833
Brendan McDonagh [3]	-
Keith Morgan [4]	20,833
Brendan Russell [3]	-
Holger Vieten [5]	-
Total	**79,166**

Directors' Report (continued)

1 Fees payable for the period from 1 April 2021 to 30 October 2021 were paid by B&B and are not shown in this table. UKAR was not charged for any portion of this remuneration. The Directors estimate that, had a charge been made, it would have been for approximately £8,000.
2 In the year ended 31 March 2021, UKAR was recharged £14,000 by B&B for executive and non-executive director services. This has not been apportioned and so is not split as a comparative in the above table. Mark Wouldhave was appointed as a director on 1 April 2021 and so the prior year charge did not relate to him.
3 Ian Hares, Mark Wouldhave, Brendan McDonagh and Brendan Russell stepped down as directors on 29 October 2021 and consequently did not receive any remuneration directly from UKAR.
4 Keith Morgan is a UKGI appointed Director but is not an employee of UKGI and as such he received fees.
5 Holger Vieten is a UKGI employed appointed Director and does not receive fees.

Board gender composition

The board comprises one female and three male members.

Other matters

£21,000 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.

Financial risk management

Details of the Company's approach to financial risk management is provided in note 18 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.

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 resolution to reappoint the NAO as the Company's auditors will be put to the Shareholder at the forthcoming Annual General Meeting.

John Tattersall LVO
Chair & Accounting Officer, on behalf of the Board
18 July 2022

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 International Financial Reporting Standards ('IFRS') as adopted by the United Kingdom 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
- taken 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 LVO
Chair & Accounting Officer, on behalf of the Board
18 July 2022

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

Opinion on Financial Statements

I have audited the financial statements of UK Asset Resolution Limited for the year ended 31 March 2022 under the Companies Act 2006. The financial statements comprise the UK Asset Resolution Limited:

- Balance Sheet as at 31 March 2022;
- 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 2022 and its loss for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom*. 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 have also elected to apply the ethical standards relevant to listed entities. 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 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.

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

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

I have nothing to report in this regard.

Independent Auditor’s report to the Members of UK Asset Resolution Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors’ Report on Directors’ remuneration subject to audit has been properly prepared in accordance with HM Treasury’s Financial Reporting Manual.

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

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

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 Directors’ remuneration subject to audit 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.

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 the Financial Statements, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- 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 intend 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 (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.

Independent Auditor’s report to the Members of UK Asset Resolution Limited (continued)

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, we considered the following:

- the nature of the sector, control environment and operational performance including the design of UK Asset Resolution Limited’s accounting policies;
- inquiring 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 relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged 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.
- discussing among the engagement team and involving relevant external specialists, including actuarial specialists, 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 also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of UK Asset Resolution Limited’s framework of authority as well as other legal and regulatory frameworks in which UK Asset Resolution Limited operates, focusing 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.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing 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;
- enquiring of management, the Board and the in-house claims team concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting 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 also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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.

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

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 that I identify during my audit.

Stephen Young (Senior Statutory Auditor)
18 July 2022

For and on behalf of the
Comptroller and Audit General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

The Accounts

Notes to the Financial Statements

INCOME STATEMENT

	Note	**12 months to 31 March 2022 £m**	12 months to 31 March 2021 £m
Interest receivable and similar income		**-**	28.1
Interest expense and similar charges		**-**	(0.2)
Net interest income		**-**	27.9
Dividends receivable	**15**	**925.0**	-
Other operating income		**0.5**	0.3
Administrative expenses	**5**	**0.2**	7.6
(Impairment) / reversal of impairment of investments in subsidiary undertakings	**8**	**(923.5)**	32.9
Profit before taxation		**2.2**	68.7
Taxation	**6**	**(3.2)**	(9.0)
(Loss)/profit for the financial year		**(1.0)**	59.7

The notes on pages 26 to 49 form an integral part of these Financial Statements.

On 29 October 2021, the Company recognised the sale of all of its subsidiaries (see note 3).

STATEMENT OF COMPREHENSIVE INCOME

For the 12 months to 31 March 2022

	Note	Gross of tax £m	Tax £m	Net of tax £m
Profit / (loss) for the financial year		**2.2**	**(3.2)**	**(1.0)**
Other comprehensive income/(expense)				
Items that will not be reclassified subsequently to profit or loss:				
- retirement benefit remeasurements	**9, 11**	**21.5**	**(40.0)**	**(18.5)**
Total other comprehensive income/(expense)		**21.5**	**(40.0)**	**(18.5)**
Total comprehensive income/(expense) for the financial year		**23.7**	**(43.2)**	**(19.5)**

For the 12 months to 31 March 2021

	Note	Gross of tax £m	Tax £m	Net of tax £m
Profit for the financial year		68.7	(9.0)	59.7
Other comprehensive (expense)/income				
Items that will not be reclassified subsequently to profit or loss:				
- retirement benefit remeasurements	9, 11	(243.5)	46.3	(197.2)
Total other comprehensive (expense)/income		(243.5)	46.3	(197.2)
Total comprehensive (expense)/income for the financial year		(174.8)	37.3	(137.5)

The notes on pages 26 to 49 form an integral part of these Financial Statements.

BALANCE SHEET

	Note	**31 March 2022 £m**	31 March 2021 £m
Assets			
Cash at bank and in hand	7	**53.2**	3,367.0
Trade and other receivables		**0.4**	-
Assets held for sale: investments in Group undertakings	8	**-**	1,562.2
Current tax assets		**4.3**	5.0
Retirement benefit assets	9	**637.7**	606.2
Total assets		**695.6**	5,540.4
Liabilities			
Deposit for sale of investments in Group undertakings		**-**	50.0
Trade and other payables	10	**6.0**	1.1
Amounts due to Group undertakings		**-**	2.7
Retirement benefit obligations	9	**19.5**	-
Deferred tax liabilities	11	**157.7**	115.2
Provisions	12	**10.5**	-
Total liabilities		**193.7**	169.0
Equity			
Issued capital and reserves attributable to owners of the parent:			
- share capital	13	**1.2**	1.2
- merger reserve	14	**-**	1,554.1
- retained earnings		**500.7**	3,816.1
Total equity		**501.9**	5,371.4
Total equity and liabilities		**695.6**	5,540.4

On 29 October 2021 the Company recognised the sale of all of its material subsidiaries (see note 3).

The notes on pages 26 to 49 form an integral part of these Financial Statements.

The Financial Statements on pages 21 to 49 were approved by the Board of Directors on 18 July 2022 and signed on its behalf by:

John Tattersall 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 12 months to 31 March 2022	Note	**Share capital £m**	**Merger Reserve £m**	**Retained earnings £m**	**Total share capital and reserve £m**
At 1 April 2021		**1.2**	**1,554.1**	**3,816.1**	**5,371.4**
Other comprehensive income/(expense):					
- retirement benefit remeasurements	9	**-**	**-**	**21.5**	**21.5**
- tax effects of the above	11	**-**	**-**	**(40.0)**	**(40.0)**
Total other comprehensive income		**-**	**-**	**(18.5)**	**(18.5)**
(Loss) for the financial year		**-**	**-**	**(1.0)**	**(1.0)**
Release of merger reserve	14	**-**	**(1,554.1)**	**1,554.1**	**-**
Total comprehensive (expense)/income		**-**	**(1,554.1)**	**1,534.6**	**(19.5)**
Dividends declared and paid	13	**-**	**-**	**(4,850.0)**	**(4,850.0)**
At 31 March 2022		**1.2**	**-**	**500.7**	**501.9**

For the 12 months to 31 March 2021	Note	Share capital £m	Merger Reserve £m	Retained earnings £m	Total share capital and reserve £m
At 1 April 2020		1.2	1,521.2	4,561.5	6,083.9
Other comprehensive (expense)/income:					
- retirement benefit remeasurements	9	-	-	(243.5)	(243.5)
- tax effects of the above		-	-	46.3	46.3
Total other comprehensive (expense)		-	-	(197.2)	(197.2)
Profit for the financial year		-	-	59.7	59.7
Reversal of release of merger reserve	14	-	32.9	(32.9)	-
Total comprehensive income/(expense)		-	32.9	(170.4)	(137.5)
Dividends declared and paid	13	-	-	(575.0)	(575.0)
At 31 March 2021		1.2	1,554.1	3,816.1	5,371.4

The notes on pages 26 to 49 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

	12 months to 31 March 2022 £m	12 months to 31 March 2021 £m
Cash flows from operating activities		
Profit before taxation for the financial year	**2.2**	68.7
Adjustments to reconcile profit to cash (used in) /generated from operating activities:		
- non-recurring charges	**-**	5.3
- interest expense and similar charges	**-**	0.2
- defined benefit pension scheme credits	**(8.1)**	(13.2)
- cash contributions to defined benefit pension schemes	**(3.2)**	(4.9)
- impairment of investments in subsidiary undertakings	**923.5**	(32.9)
- dividends received from subsidiary undertakings	**(925.0)**	-
	(10.6)	23.2
Net increase/(decrease) in operating assets:		
- amounts due from Group undertakings	**-**	3,415.8
- other assets	**(0.1)**	(9.6)
Net decrease in operating liabilities:		
- amounts due to Group undertakings	**(2.7)**	(22.8)
- other liabilities	**2.6**	0.1
- provisions	**(4.6)**	(0.6)
- interest paid	**-**	(0.2)
Net cash (used in) /generated from operating activities	**(15.4)**	3,405.9
Cash flows generated from investing activities:		
- deposit received in respect of sale of investments in subsidiary undertakings	**-**	50.0
- introduction of unfunded defined benefit pension schemes	**20.8**	-
- disposal of investments	**605.8**	-
Net cash generated from investing activities	**626.6**	50.0
Cash flows used in financing activities:		
- dividends received	**925.0**	-
- dividends paid (see note 13)	**(4,850.0)**	(575.0)
Net cash used in financing activities	**(3,925.0)**	(575.0)
Net (decrease)/increase in cash and cash equivalents	**(3,313.8)**	2,880.9
Cash and cash equivalents at beginning of year	**3,367.0**	486.1
Cash and cash equivalents at end of year	**53.2**	3,367.0
Represented by cash and assets with original maturity of three months or less within:		
- cash at bank and in hand	**53.2**	3,367.0
Total cash and cash equivalents at end of year	**53.2**	3,367.0

The notes on pages 26 to 49 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 be responsible for meeting contractual obligations resulting from previous asset sales and the sale of B&B and NRAM, sponsorship of the legacy B&B and NRAM defined benefit pension schemes and administration of other non-loan assets and liabilities.

Following the sale of B&B and NRAM, UKAR has one remaining inactive subsidiary company, UKAR Corporate Services Limited, which was in members voluntary liquidation as at 31 March 2022, and is immaterial to the Company. As such, these financial statements present the results and financial position of the Company only, as permitted by the Companies Act 2006. The Financial Statements on pages 21 to 49 were authorised for issue by the Directors on 18 July 2022 and will be put to the shareholder for approval at UKAR's Annual General Meeting.

(a) Statement of compliance
The Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') as adopted by the United Kingdom in conformity with the requirements of the Companies Act 2006. 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 2021.

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
The Financial Statements have been prepared on a going concern basis and using the historical cost convention except that assets categorised under IFRS 5 'Non-current assets held for sale and discontinued operations' as 'held for sale' are carried at fair value less costs to sell.

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.

Following the sale of B&B and NRAM, the Company distributed the majority of its cash reserves to HM Treasury at its request. In doing so, the Directors 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 near 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 for a period of not less than 28 months from 31 March 2022.

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.

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.

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 management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates (see note 2).

1. Principal accounting policies (continued)

(c) Exemption from preparation of consolidated financial statements
The Company has utilised the exemption afforded by section 402 of the Companies Act 2006 to not prepare consolidated financial statements on the grounds that, in aggregate, its subsidiary entity at 31 March 2022 is not material to the Company or group.

d) 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 obligation was recognised by the Company.

(e) 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’).

(f) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported on the Balance Sheet when and only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(g) 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. When an asset carried at FVOCI is derecognised the element of the fair value reserve relating to that asset is reclassified to the Income Statement.

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

(h) Assets held for sale and discontinued operations
In accordance with IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’, assets and liabilities are classified as ‘held for sale’ if they are available for immediate sale in their present condition, they are being actively marketed for sale at a reasonable price and sale is considered to be ‘highly probable’. IFRS 5 requires that, in general, assets held for sale and disposal groups are carried at the lower of their previous carrying amount and their fair value less anticipated selling costs. IFRS 5, however, explicitly excludes financial assets and certain other assets from this measurement principle.

(i) Derivative financial instruments
The only derivative held by the Company in the prior year was the put/call option arising under the contract for sale of UKAR’s investments in B&B and NRAM. This had a fair value of £nil at the end of the prior period and at the point of sale.

1. Principal accounting policies (continued)

(j) 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.

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

(l) 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 9. 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.

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.

(m) Provisions and contingent liabilities
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.

(n) Dividends receivable and payable
Dividends receivable from subsidiary undertakings are recognised as income once the right to receive payment is established, in accordance with IAS 27 'Separate Financial Statements'.

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

1. Principal accounting policies (continued)

(o) Investments in Group undertakings
At 31 March 2020, the Company's investments in Group undertakings were carried at cost less any impairment.

UKAR's acquisition of the entire issued share capital of B&B and NRAM plc in a share-for-share exchange has been accounted for under 'predecessor accounting' and the initial cost of each of these investments was deemed to be the net assets of the B&B company and the NRAM plc company at 30 June 2010. On 29 April 2016 NRAM Limited acquired NRAM plc from the Company by way of a share-for-share exchange, NRAM Limited issuing the same number and class of shares as were acquired from UKAR.

The difference between UKAR Limited's carrying amount of its investment in NRAM plc and the new share capital issued by NRAM Limited in exchange for the shares in NRAM plc was accounted for by NRAM Limited as share premium. The remaining difference between share capital and premium and the carrying value of the investment in NRAM plc was accounted for by NRAM Limited as merger reserve. The subsequent dividend in specie from NRAM plc was accounted for by NRAM Limited as a partial return of its investment in NRAM plc. The share premium was cancelled and converted to retained earnings during the year ended 31 March 2018.

The UKAR merger reserve was increased in 2016 by a transfer from retained earnings equal to the NRAM plc dividend in specie. A proportion of this increase in the merger reserve became a realised profit and was transferred to retained earnings when NRAM Limited sold its investment in NRAM plc. £2,324.4m of the merger reserve was released to retained earnings when NRAM issued £2bn of bonus shares in exchange for a reduction in its merger reserve, followed by cancellation of these bonus shares. The remainder of this increase in merger reserve became realised and transferred to retained earnings as the mortgage loans which were used to pay the dividend from NRAM plc to NRAM Limited were paid down or sold.

Investments are reviewed at each published Balance Sheet date, and when other significant changes arise in the subsidiaries, for any indication of impairment. If there is indication of impairment of any investment, the carrying value of the investment is reviewed, and any impairment identified is charged immediately to the Company's Income Statement, with a corresponding release from the Company's merger reserve. The net assets of the subsidiary falling below the carrying value of the investment is considered an indicator of impairment. An impairment loss recognised in prior periods is reversed (along with the release from merger reserve) if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised. An increase in the net assets of the subsidiary would constitute such a change in estimate. The increased carrying amount following a reversal of impairment may not exceed the carrying amount that would have been the case had no impairment loss previously been recognised.

At 31 March 2021, the Company's investments in group undertakings were classified as held for sale and hence carried at the lower of previous carrying amount and fair value less costs to sell (see note 8). These had been disposed of by 31 March 2022, with the remainder of the merger reserve also being released too.

(p) Amounts due to and from Group undertakings
Amounts due from Group undertakings are classified under IFRS 9 as at amortised cost. The balances are considered to be 'stage 1', i.e. that there has been no significant increase in credit risk since the asset's origination. Expected credit losses are considered not to be material and no provision is made.
Amounts due to Group undertakings are classified under IFRS 9 as at amortised cost.

q) New and amended standards to be adopted for the first time for the 31 March 2022 Financial Statements

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued August 2020, effective for periods beginning on or after 1 January 2021. These reforms relate to the impacts of the withdrawal of the LIBOR benchmark interest rate.

- Covid-19-Related Rent Concessions beyond 30 June 2021 – amendments to IFRS 16 to extend period of application of previous amendments.

Neither of these amendments have a material effect on the financial statements of UKAR.

r) New and emerging standards not yet adopted

The 31 March 2022 Financial Statements have not adopted the following statements and amendments:

- IFRS 17 'Insurance Contracts', issued May 2017 with amendments issued June 2020 and December 2021, effective for periods beginning on or after 1 January 2023. IFRS 17 will replace IFRS 4 'Insurance Contracts'. IFRS 17 is not expected to have any material impact on UKAR.

1. Principal accounting policies (continued)

- ‘Annual Improvements to IFRS 2018–2020’, issued May 2020, and yet to, effective for periods beginning on or after 1 January 2022. Minor amendments are made to IFRS 1 ‘First-Time Adoption of International Financial Reporting Standards’ (not relevant to UKAR as the Company adopted IFRS in 2005); IFRS 9 ‘Financial Instruments’ (minor additional guidance to the ‘10% test’ as to whether a change to the terms of a financial liability requires derecognition and the recognition of a new financial liability); IFRS 16 ‘Leases’ (a clarification of an example of the accounting for a change in lease term which does not change the accounting); and IAS 41 ‘Agriculture’ (not relevant to UKAR as the Company has no agricultural interests). No impact is expected on UKAR for these amendments.

  Amendment to IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ for ‘Onerous Contracts — Cost of Fulfilling a Contract’, issued May 2020 effective for periods beginning on or after 1 January 2022. This amendment further clarifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. No impact is expected on UKAR.

- Amendment to IAS 16 ‘Property, Plant and Equipment: Proceeds before Intended Use’, issued May 2020, effective for periods beginning on or after 1 January 2022. No impact is expected on UKAR.

- Amendment to IFRS 3 ‘Business Combinations’ ‘Reference to the Conceptual Framework’, issued May 2020, effective for periods beginning on or after 1 January 2022. This amendment relates to definitions and does not change the accounting. No impact is expected on UKAR.

- Amendments to IAS 1 ‘Presentation of Financial Statements’ ‘Classification of Liabilities as Current or Non-Current’, issued January 2020, and yet to be endorsed by the UK Endorsement Board, effective for periods beginning on or after 1 January 2024. This amendment relates to the terms of a liability which determine whether it is current or non-current. No impact is expected on UKAR as it uses the order of liquidity balance sheet presentation.

- Narrow scope amendments to IAS 1, IAS 8 and IFRS Practice statement 2, issued February 2021, and not yet endorsed by the UK Endorsement Board, effective for periods beginning on or after 1 January 2023. These amendments aim to improve accounting policy disclosure and to distinguish better between changes in accounting estimates and changes in accounting policies. No impact is expected on UKAR.

- Amendments to IAS 12 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ issued May 2021, and yet to be endorsed by the UK Endorsement Board, effective for periods beginning on or after 1 January 2023. It removes the initial recognition exemption on certain transactions where equal amounts of taxable and deductible temporary differences arise on a transaction. This will principally affect entities with significant right of use assets, lease liabilities and decommissioning / restoration liabilities. As such, no impact is expected on UKAR.

2. Critical judgements and accounting estimates

In preparing the Financial Statements, management 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) Preparation of entity financial statements
As detailed in note 1(c), the Company has not prepared consolidated financial statements as the remaining subsidiary entity at 31 March 2022 is not material and so, in the opinion of the Directors, the Company is able to utilise the exemption provided by section 402 of the Companies Act 2006.

b) Going concern
As detailed in note 1(b), 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.

c) Carrying amount of net retirement benefit assets
As detailed in note 9, 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.

Accounting estimates

d) Retired 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 management taking account of recommendations made by the Company's actuaries. The sensitivities of the liability values to key assumptions are disclosed in note 9.

e) Provision for indemnities and warranties
As detailed in Note 12, 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. Sale of investments in subsidiary undertakings

On 26 February 2021 UKAR entered into a contract for the sale of its 100% shareholdings in B&B and NRAM, along with their subsidiaries, to Davidson Kempner. Completion of the sale was subject to the FCA granting regulatory approval, which the Directors considered to be highly probable. The FCA granted regulatory approval on 9 September 2021 following which the sale was completed on 29 October 2021; at this point UKAR ceased to have control over B&B and NRAM.

The sale proceeds of £656.1m (net of the £50m deposit received in March 2021) were received on 29 October 2021, 5 November 2021 and 3 March 2022 with a balance of £0.3m outstanding at 31 March 2022 in relation to an outstanding tax payment (see note 8).

Under the sale contract the Company provided certain warranties to Davidson Kempner and also indemnities against certain remediation and other payments which B&B and NRAM may make after the sale; on 29 October 2021 the Company recognised a provision of £15.1m (see note 12) for these and other obligations arising as part of the fair value of the sale.

At 31 March 2021 the Company classified its investments in B&B and NRAM as held for sale in accordance with IFRS 5 and the carrying value of the investments was impaired to the estimated fair value less costs to sell. In 2022, a net gain of £1.5m was recognised prior to sale consisting of a receipt of a dividend from the subsidiaries of £925m less an impairment charge (largely as a result of the dividend receipt) of £923.5m.

4. Net interest income

All interest income and expense in the year ended 31 March 2021 arose on loans with the Company's subsidiaries and was recognised on an effective interest rate method. All intercompany loans were repaid by 31 March 2021 hence no interest income was earned in the year 31 March 2022.

5. Administrative expenses

Until the sale of B&B (see note 3) B&B provided services to UKAR. UKAR had no direct employees during the year or previous year.

	12 months to 31 March 2022 £m	12 months to 31 March 2021 £m
Interest income on defined benefit assets	**(43.6)**	(45.3)
Interest on defined benefit obligations	**31.2**	28.9
Administrative expenses paid from plan assets	**4.3**	3.2
Defined benefit pension credit (see note 9)	**(8.1)**	(13.2)
Outsourced and professional services	**7.9**	-
Other administration costs	**0.1**	0.3
Movements on provisions (see note 12)	**(3.7)**	-
Total ongoing administrative credit	**(3.8)**	(12.9)
GMP equalisation charges (see note 9)	-	3.8
Non-recurring costs	**3.6**	1.5
Total administrative credit	**(0.2)**	(7.6)

Non recurring costs relate mainly to items arising in connection with the sale of B&B and NRAM.

Auditor's remuneration

The following costs are included within administrative expenses:

	12 months to 31 March 2022 £m	12 months to 31 March 2021 £m
Fees payable to the Company's auditor in respect Company's Financial Statements	**0.1**	0.1
Total	**0.1**	0.1

No non- audit services were provided by the Company's auditor (2021: £nil). Audit fees exclude the impact of irrecoverable VAT.

6. Taxation

The tax (charge) for the year comprises:	12 months to 31 March 2022 Total £m	12 months to 31 March 2021 Total £m
Current tax:		
- on profit for the year	**-**	(4.3)
- adjustments in respect of prior periods	**(0.7)**	(1.9)
Total current tax (charge)	**(0.7)**	(6.2)
Deferred tax (see note 11):		
- origination and reversal of temporary differences	**(1.5)**	(2.8)
- adjustments in respect of prior periods	**0.7**	-
- effects of changes in tax rates	**(1.7)**	-
Total deferred tax	**(2.5)**	(2.8)
Total taxation (charge) per the Income Statement	**(3.2)**	(9.0)

The following tax amounts have been (charged)/credited to equity:	12 months to 31 March 2022 Total £m	12 months to 31 March 2021 Total £m
Deferred tax:		
- relating to retirement benefit remeasurements	**(40.0)**	46.3
Net (charge)/credit to equity	**(40.0)**	**46.3**

The tax (charge) on the Company's profit before tax differs from the theoretical amount that would arise using the standard weighted average rate of UK corporation tax of 19% (2021: 19%) as follows:

	12 months to 31 March 2022 £m	12 months to 31 March 2021 £m
Profit before taxation	**2.2**	68.7
Tax credit calculated at rate of 19% (2021: 19%)	**0.4**	13.1
Effects of:		
- expenses not deductible	**1.3**	-
- impairment of investments not deductible/chargeable for tax purposes	**175.5**	(6.3)
- income not taxable	**(175.7)**	-
- tax rate changes	**1.7**	-
- other net credits not taxable/charges against which no profits are available	**-**	0.3
- adjustments in respect of prior periods	**-**	1.9
Total taxation charge for the year	**3.2**	9.0

Taxation appropriately reflects changes in tax rates which had been substantively enacted by 31 March 2022.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021 (published on 24 May 2021, with royal assent received on 10 June 2021). This confirmed an increase to the corporation tax rate to 25% with effect from 1 April 2023. Deferred taxes at the balance sheet date have been calculated based on the corporation tax rate of 25% that is enacted at the reporting date.

7. Cash at bank and in hand

	31 March 2022 Total £m	31 March 2021 Total £m
Balances with the Government Banking Service	**49.5**	3,355.3
Balances with other banks	**3.7**	11.7
Total	**53.2**	3,367.0

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 other banks are with institutions rated AA to A. Expected credit losses arising in the 12 months to 31 March 2023 are not material, and no provision has been made.

8. Investments in Group undertakings

On 29 October 2021 the Company recognised the sale of its 100% shareholdings in B&B and NRAM, along with their subsidiaries, to Davidson Kempner. As at 31 March 2021 Davidson Kempner had paid a deposit of £50m in respect of this transaction. Under the sale contract the Company provided certain warranties to Davidson Kempner and also indemnities against certain remediation and other payments which B&B and NRAM may make after the date of the sale. At the point of sale, the Company recognised a provision of £13.9m in respect of these indemnities plus a further £1.2m for other liabilities arising from the sale (see note 12).

As at 31 March 2021 the Company classified its investments in B&B and NRAM as held for sale in accordance with IFRS 5 and the carrying value of the investments was impaired to the estimated fair value less costs to sell; this fair value included the expected value of the indemnity provision to be created.

During the year B&B and NRAM declared dividends totalling £925m and on receipt the Company impaired the carrying value of its investments by £923.5m as the dividends resulted in a reduction in the agreed sale price. At the same time the Company released £1,554.1m from its merger reserve (see note 14).

	31 March 2022 £m	31 March 2021 £m
At start of year	**1,562.2**	1,522.5
(Impairment)/reversal of impairment	**(923.5)**	32.9
Prepaid costs	**-**	6.8
Disposal	**(638.7)**	-
At end of year	**-**	1,562.2

As stated in note 3, the consideration receivable on the disposal of B&B and NRAM was £656.1m as follows:

	£m
Carrying value at date of disposal	**638.7**
Provisions recognised (see note 12)	**15.1**
Estimated costs to sell	**2.3**
Consideration payable	**656.1**
Comprising:	
Cash paid	**605.8**
Deposit received in prior year	**50.0**
Outstanding receivable	**0.3**
Total	**656.1**

At 31 March 2022 the Company recognises UKAR Corporate Services Limited as its only subsidiary undertaking, which is in members voluntary liquidation. The Company holds the entire issued share capital of the subsidiary company which is incorporated in England & Wales. Its registered office is 1 Bridgewater Place, Water Lane, Leeds LS11 SQR.

Northern Rock (Asset Management) Limited was dissolved on 20 July 2021.

9. 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 healthcare 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 his Spring 2020 Budget, the Chancellor of the Exchequer announced the government's intention to legislate to transfer the members of the B&B and NRAM defined benefit schemes to a new statutory, public service pension scheme and primary legislation was passed in March 2022. The pensions will remain the responsibility of UKAR until such time as appropriate secondary legislation enabling the transfer is enacted.

Responsibility for the funding of the B&B post-retirement healthcare scheme and the NRAM unfunded pension scheme (see note 9(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 healthcare 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**	
	31 March 2022 £m	31 March 2021 £m	**31 March 2022 £m**	31 March 2021 £m	**31 March 2022 £m**	31 March 2021 £m
Present value of defined benefit obligations	**(1,437.1)**	(1,496.8)	**(19.5)**	-	**(1,456.6)**	(1,496.8)
Fair value of defined benefit assets	**2,074.8**	2,103.0	**-**	-	**2,074.8**	2,103.0
Net defined benefit asset/(liability)	**637.7**	606.2	**(19.5)**	-	**618.2**	606.2

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

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**	
	12 months to 31 Mar 2022 £m	12 months to 31 Mar 2021 £m	**12 months to 31 Mar 2022 £m**	12 months to 31 Mar 2021 £m	**12 months to 31 Mar 2022 £m**	12 months to 31 Mar 2021 £m
GMP equalisation charge	**-**	(3.8)	**-**	-	**-**	(3.8)
Other credit/(charge) to administrative expenses	**8.4**	13.2	**(0.3)**	-	**8.1**	13.2
Total credit recognised in the Income Statement	**8.4**	9.4	**(0.3)**	-	**8.1**	9.4
Credits/(charges) to other comprehensive income	**20.1**	(243.5)	**1.4**	-	**21.5**	(243.5)

9. Retirement benefit assets and obligations (continued)

(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 £6.4m (31 March 2021: £6.0m) and the retirement benefit remeasurement gain recognised in other comprehensive income during the year was £7.5m (2021: loss of £164.3m).

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(c) 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 2018 and agreed in May 2019, showed a deficit of £22.3m on a Trustee's valuation basis. A new formal triennial valuation of the Scheme has been prepared by the scheme actuaries as at 30 June 2021 and is in the process of being agreed.

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:

	31 March 2022 £m	31 March 2021 £m
Present value of defined benefit obligations	**(958.2)**	(978.3)
Fair value of defined benefit assets	**1,399.3**	1,403.6
Net defined benefit asset	**441.1**	425.3

The amounts recognised in the Income Statement were as follows:

	12 months to 31 March 2021 £m	12 months to 31 March 2021 £m
GMP equalisation charge	**-**	(3.4)
Other credit to administrative expenses (see note 5)	**6.4**	9.4
Total credits recognised in the Income Statement	**6.4**	6.0
Credits/ (charges) to other comprehensive income	**7.5**	(164.3)

9. Retirement benefit assets and obligations (continued)

(a) Heritage Bradford & Bingley schemes (continued)

(ii) Defined benefit obligations (continued)

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

	12 months to 31 Mar 2022 £m	12 months to 31 Mar 2021 £m
At start of year	**978.3**	866.4
Interest on defined benefit obligations	**20.2**	18.7
Remeasurements:		
- effect of GMP equalisation	**-**	3.4
- effect of changes in financial assumptions	**(38.0)**	130.6
- effect of experience adjustments	**59.9**	-
- effect of changes in demographic assumptions	**(24.8)**	-
Benefits paid from plan	**(37.4)**	(40.8)
At end of year	**958.2**	978.3

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

	12 months to 31 Mar 2022 £m	12 months to 31 Mar 2021 £m
At start of year	**1,403.6**	1,447.1
Interest income on defined benefit assets	**29.1**	30.2
Defined benefit company contributions	**1.9**	2.9
Remeasurements:		
- return on plan assets (excluding interest income)	**4.6**	(33.7)
Administrative expenses paid from plan assets	**(2.5)**	(2.1)
Benefits paid from plan	**(37.4)**	(40.8)
At end of year	**1,399.3**	1,403.6

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

	31 March 2022			31 March 2021		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Equity instruments	**-**	**-**	**-**	9.1	-	9.1
Property	**-**	**-**	**-**	-	0.1	0.1
Bonds:						
- of which UK	**20.2**	**-**	**20.2**	67.2	-	67.2
- of which overseas	**-**	**-**	**-**	1.7	-	1.7
Liability-hedging investments	**1,400.4**	**-**	**1,400.4**	1,441.2	-	1,441.2
Repurchase agreements	**(34.0)**	**-**	**(34.0)**	(127.9)	-	(127.9)
Cash and cash equivalents	**-**	**12.7**	**12.7**	-	12.2	12.2
Total	**1,386.6**	**12.7**	**1,399.3**	1,391.3	12.3	1,403.6

9. 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:

	31 March 2022	31 March 2021
To determine benefit obligations:		
Discount rate	**2.70%**	2.10%
Inflation (RPI)	**3.75%**	3.30%
Inflation (CPI)	**1.00% / 0.00%**	1.00% / 0.00%
Deferred revaluation	**2.90% / 3.75%**	2.40% / 3.30%
Pension increases in payment:		
Fixed 3% pa	**3.00%**	3.00%
RPI min 3% max 5% pa	**3.90%**	3.65%
RPI min 0% max 5% pa	**3.55%**	3.20%
CPI min 0% max 3% pa	**2.55%**	2.40%
Medical inflation trend	**5.50%**	5.50%

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 2022 and 31 March 2021, they will continue to assume that RPI will be 1% higher than CPI until 2030 but that thereafter CPI and RPI will be equal.

In determining the expected long-term return on defined benefit assets, the Company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term return for the portfolio.

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

		31 March 2022		31 March 2021
	Pensioner	**Non-retired member**	Pensioner	Non-retired member
Male	**27.0**	**28.3**	27.6	29.0
Female	**29.7**	**31.1**	30.1	31.5

Maturity profile of the obligation

At 31 March 2022 the defined benefit pension scheme had a weighted average maturity of around 18 years (2021: 20 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 9%	**84.8**
Inflation	Increase by 0.5%	Increase by 7%	**64.5**
Mortality	Decrease by 1 year	Decrease by 4%	**34.5**

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.

9. 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 £2.0m (2021: £3.4m) and the retirement benefit remeasurement gain recognised in other comprehensive income during the year was £12.6m (2021: loss of £79.2m).

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(c) 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:

	31 March 2022 £m	31 March 2021 £m
Present value of defined benefit obligations	**(478.9)**	(518.5)
Fair value of defined benefit assets	**675.5**	699.4
Net defined benefit asset	**196.6**	180.9

The amounts recognised in the Income Statement were as follows:

	12 months to 31 March 2022 £m	12 months to 31 March 2021 £m
GMP equalisation (charge)	**-**	(0.4)
Other credit to administrative expenses	**2.0**	3.8
Total credit recognised in the Income Statement	**2.0**	3.4
Credits/ (charges) to other comprehensive income	**12.6**	(79.2)

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

	12 months to 31 March 2022 £m	12 months to 31 March 2021 £m
At start of year	**518.5**	479.0
Interest on defined benefit obligations	**10.7**	10.2
Remeasurements:		
- effect of GMP equalisation	**-**	0.4
- effect of changes in demographic assumptions	**(10.7)**	3.1
- effect of changes in financial assumptions	**(31.0)**	53.1
- effect of experience adjustments	**9.6**	(6.2)
Benefits paid from plan	**(18.2)**	(21.1)
At end of year	**478.9**	518.5

9. 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:

	12 months to 31 March 2022 £m	12 months to 31 March 2021 £m
At start of year	**699.4**	733.7
Interest income on defined benefit assets	**14.5**	15.1
Defined benefit company contributions	**1.1**	2.0
Remeasurements:		
- return on plan assets (excluding interest income)	**(19.5)**	(29.2)
Administrative expenses paid from plan assets	**(1.8)**	(1.1)
Benefits paid from plan	**(18.2)**	(21.1)
At end of year	**675.5**	699.4

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

		31 March 2022			31 March 2021	
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Bulk annuity contracts	**-**	**263.5**	**263.5**	-	277.1	277.1
Liability-hedging investments	**407.5**	**-**	**407.5**	419.3	-	419.3
Cash and cash equivalents	**-**	**4.5**	**4.5**	-	3.0	3.0
Total	**407.5**	**268.0**	**675.5**	419.3	280.1	699.4

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

	31 March 2022	31 March 2021
To determine benefit obligations:		
Discount rate	**2.70%**	2.10%
Inflation (RPI)	**3.75%**	3.30%
Inflation (CPI)	**1.00% / 0.00%**	1.00% / 0.00%
Deferred revaluation	**2.90% / 3.75%**	2.40% / 3.30%
Pension increases in payment:		
Fixed 3% pa	**3.00%**	3.00%
RPI min 3% max 5% pa	**3.90%**	3.65%
RPI min 0% max 5% pa	**3.55%**	3.20%
CPI min 0% max 3% pa	**2.55%**	2.40%
Medical inflation trend	**5.50%**	5.50%

In determining the expected long-term return on defined benefit assets, the Company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term return for the portfolio.

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

		31 March 2022		31 March 2021
	Pensioner	**Non-retired Member**	Pensioner	Non-retired member
Male	**27.4**	**28.7**	28.4	29.8
Female	**29.7**	**31.0**	30.4	31.8

Maturity profile of the obligation

At 31 March 2022 the defined benefit pension scheme had a weighted average maturity of around 18 years (2021: 20 years).

9. Retirement benefit assets and obligations (continued)

(b) Heritage NRAM schemes (continued)

(ii) Funded defined benefit obligations (continued)

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 9%	**43.2**
Inflation	Increase by 0.5%	Increase by 3%	**16.0**
Mortality	Decrease by 1 year	Decrease by 3%	**16.6**

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 healthcare 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 healthcare 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, 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 cost since the transfer to UKAR was £(0.3)m and the retirement benefit remeasurement gain recognised in other comprehensive income was £1.4m. Payments to the beneficiaries totalled £0.2m.

The amounts carried on the Balance Sheet are as follows:

	31 March 2022			31 March 2021		
	Unfunded £m	**PMI £m**	**Total £m**	Unfunded £m	PMI £m	Total £m
Present value of defined benefit obligations	**(13.6)**	**(5.9)**	**(19.5)**	-	-	-
Fair value of defined benefit assets	**-**	**-**	**-**	-	-	-
Net defined benefit obligation	**(13.6)**	**(5.9)**	**(19.5)**	-	-	-

The amounts recognised in the Income Statement were as follows:

	12 months to 31 March 2022			12 months to 31 March 2021		
	Unfunded £m	**PMI £m**	**Total £m**	Unfunded £m	PMI £m	Total £m
Interest cost on defined benefit obligation	**(0.2)**	**(0.1)**	**(0.3)**	-	-	-
Total charge recognised in the Income Statement	**(0.2)**	**(0.1)**	**(0.3)**			
Credits to other comprehensive income	**0.8**	**0.6**	**1.4**	**-**	**-**	**-**

9. 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:

	12 months to 31 Mar 2022			12 months to 31 March 2021		
	Unfunded £m	**PMI £m**	**Total £m**	Unfunded £m	PMI £m	Total £m
At start of year	**-**	**-**	**-**	-	-	-
Introduction of unfunded pension and PMI liabilities	**14.4**	**6.4**	**20.8**	-	-	-
Interest on defined benefit obligations	**0.2**	**0.1**	**0.3**	-	-	-
Remeasurements:						
- effect of changes in demographic assumptions	**-**	**(0.2)**	**(0.2)**	-	-	-
- effect of changes in financial assumptions	**(0.9)**	**(0.3)**	**(1.2)**	-	-	-
- effect of changes in experience adjustments	**0.1**	**(0.1)**	**-**	-	-	-
Benefits paid from plan	**(0.2)**	**-**	**(0.2)**	-	-	-
At end of year	**13.6**	**5.9**	**19.5**	-	-	-

The actuarial assumptions used in respect of discount rates and inflation were consistent with those for the funded NRAM Scheme.

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

	31 March 2022		31 March 2021	
	Pensioner	**Non-retired member**	Pensioner	Non-retired member
Male	**27.0**	**28.3**	27.6	29.0
Female	**29.7**	**31.1**	30.1	31.5

Maturity profile of the obligation
At 31 March 2022 the defined benefit pension scheme had a weighted average maturity of around 18 years (2021: n/a).

The following table illustrates the sensitivity of the unfunded 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 0.50%	Increase by 7%	**1.3**
Inflation	Increase by 0.50%	Increase by 4%	**0.7**
Mortality	Decrease by 1 year	Decrease by 5%	**1.0**

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.

10. Trade and other payables

At 31 March 2022 the Company's trade and other payables comprised the following:

	31 March 2022 £m	31 March 2021 £m
Trade payables	**0.1**	-
Accruals	**5.6**	1.1
Taxation and social security	**0.3**	-
Total	**6.0**	1.1

11. Deferred taxation

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

	Assets		Liabilities		Net	
	31 Mar 2022	31 Mar 2021	**31 Mar 2022**	31 Mar 2021	**31 Mar 2022**	31 Mar 2021
	£m	£m	**£m**	£m	**£m**	£m
Funded employee benefits	**-**	-	**(158.9)**	(115.2)	**(158.9)**	(115.2)
Losses	**1.2**	-	**-**	-	**1.2**	-
Total	**1.2**	-	**(158.9)**	(115.2)	**(157.7)**	(115.2)

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

	1 April 2021 £m	**Recognised in income £m**	**Recognised in equity £m**	**31 March 2022 £m**
Funded employee benefits	**(115.2)**	**(3.7)**	**(40.0)**	**(158.9)**
Losses	**-**	**1.2**	**-**	**1.2**
Total	**(115.2)**	**(2.5)**	**(40.0)**	**(157.7)**

	1 April 2020 £m	Recognised in income £m	Recognised in equity £m	31 March 2021 £m
Funded employee benefits	(158.7)	(2.8)	46.3	(115.2)
Total	(158.7)	(2.8)	46.3	(115.2)

The funded defined benefit pension schemes of B&B and NRAM (see note 9) 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 no other unrecognised deferred tax assets as at 31 March 2022 or 31 March 2021.

The principal movement in the deferred tax balance for the year ended 31 March 2022 was the change in the underlying applicable corporation tax rate from 19% to 25% (see note 6).

12. Provisions

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

	Year ended 31 March 2022			Year ended 31 March 2021		
	Indemnity £m	**Other £m**	**Total £m**	Indemnity £m	Other £m	Total £m
At start of year	**-**	-	-	-	-	-
Arising on sale of B&B and NRAM	**(13.9)**	**(1.2)**	**(15.1)**	-	-	-
Utilised in the year	**0.9**	**-**	**0.9**			
Released to the income statement	**3.4**	**0.3**	**3.7**			
At end of year	**(9.6)**	**(0.9)**	**(10.5)**	-	-	-

12. Provisions (continued)

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 disposal in respect of these indemnities along with a further £1.2m in respect of other liabilities assumed. The indemnity provision was accounted for in the estimation of the fair value of the businesses under IFRS 5.

At 31 March 2022 the provisions are carried at £10.5m; this represents management's best estimate of future costs and all the provisions are expected to be utilised by 31 March 2024. As such, these provisions are not discounted as the impact of discounting is immaterial.

13. Share capital

Issued and fully paid	25p Ordinary shares Number	25p Ordinary shares £	Total share capital £
At 1 April 2020, 31 March 2021 and 31 March 2022	**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 declared and paid interim dividends totalling £4,850.0m (year ended 31 March 2021: £575.0m) equating to £978 per Ordinary share (year ended 31 March 2021: £116 per Ordinary share). No further dividends had been proposed by the date of approval of these Financial Statements.

14. Merger reserve

Movements on the merger reserve were as follows:

	12 months to 31 March 2022 £m	12 months to 31 March 2021 £m
Merger reserve at start of year	**1,554.1**	1,521.2
Release	**(1,554.1)**	32.9
Merger reserve at end of year	**-**	1,554.1

The Company's merger reserve was generated on 1 October 2010 when the Company acquired all the issued shares of B&B and NRAM plc from the Treasury Solicitor via a share-for-share exchange. The merger reserve represented the difference between the value attributed to the Company's investment in each company and the nominal value of the share capital issued by the Company in exchange. On 29 April 2016 NRAM Limited acquired NRAM plc from the Company by way of a share-for-share exchange, NRAM Limited issuing the same number and class of shares as were acquired from UKAR. During the year ended 31 March 2021 £32.9m of previously recognised impairment of the carrying amount of the Company's investments in its subsidiary undertakings was released and a transfer of an equal amount was made between the merger reserve and retained earnings. The remainder of the merger reserve was released at the point of sale of B&B and NRAM.

15. Related party disclosures

(a) Key management personnel

The Company considers the Board of Directors to be the Key Management Personnel. In the prior year, before the sale, key management personnel included Executive Committees of UKAR, B&B and NRAM. There were no amounts owed to or by key management personnel at any time during the year (2021: £nil).

Remuneration payable by UKAR in respect of the Board of Directors for the year ended 31 March 2022 was £79,000 (2021: £14,000). All other remuneration was borne by B&B and NRAM for both years. These amounts include the remuneration of the Directors which is set out in more detail in the Directors' Remuneration Report on pages 13 to 14.

Further details of the accounting treatment of pensions and of the Company's transactions and balances with the Company's pension schemes are given in note 9. There were no amounts due to or from the schemes at 31 March 2022 (31 March 2021: £nil). The key management personnel contributed £nil (2021: £8,000) to Company pension schemes during the year.

Included in the Company's Income Statement, the aggregate Directors' emoluments amounted to £79,000 (2021: £14,000).

(b) UK government

As described in note 19, the Company considers the UK Government to be its ultimate controlling party. The Company's material balances with departments and bodies of the Government have included deposits with the Government Banking Service. In addition to these, the Company has balances and transactions with numerous Government bodies on an arm's length basis in relation to the payment of corporation tax and PAYE. The Company has balances and transactions with UKGI and a bank over which the UK government has significant influence; these were made in the ordinary course of business and are not unusual in their nature or conditions. During the year the Company declared and paid dividends totalling £4,850.0m (2021: £575.0m) to HM Treasury.

(c) Subsidiary undertakings

As detailed in note 3 the Company's investments in B&B and NRAM were sold during the year.

The £2.7m due to subsidiary undertakings at 31 March 2021 was settled during the year.

The Company had transactions with its subsidiaries as follows:

	To 29 October 2021 £m	12 months to 31 March 2021 £m
Management charges to subsidiary undertakings	**0.5**	0.2
Interest income on inter-company loans	**-**	28.0
Interest expense on inter-company loans	**-**	0.1
Costs recharged by subsidiary undertakings	**2.0**	9.0

As detailed in note 9, on 8 October 2021, responsibility for the funding of the B&B post-retirement healthcare scheme and the NRAM unfunded pension scheme (see note 9(c)) was transferred from B&B and NRAM to UKAR in preparation for the sale of B&B and NRAM. The balances were transferred for their IAS 19 carrying amounts, totalling £20.8m and settled in cash.

During the year the Company's former subsidiaries declared dividends to the Company totalling £925m (2021: £NIL).

16. 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.

17. Financial instruments

The following tables summarise the carrying amounts and fair values of financial assets and liabilities.

At 31 March 2022	**Assets at amortised cost**	**Total carrying value**	**Fair value**
Financial assets:	**£m**	**£m**	**£m**
Cash at bank and in hand	**53.2**	**53.2**	**53.2**
Other receivables	**0.4**	**0.4**	**0.4**
Total financial assets	**53.6**	**53.6**	**53.6**

Financial liabilities:	**Liabilities at amortised cost £m**	**Total carrying value £m**	**Fair value £m**
Trade payables and accruals	**5.7**	**5.7**	**5.7**
Total financial liabilities	**5.7**	**5.7**	**5.7**

At 31 March 2021	Assets at amortised cost	Total carrying value	Fair value
Financial assets:	£m	£m	£m
Cash at bank and in hand	3,367.0	3,367.0	3,367.0
Total financial assets	3,367.0	3,367.0	3,367.0

	Liabilities at amortised cost	Total carrying value	Fair value
Financial liabilities:	£m	£m	£m
Deposit for sale of investments	50.0	50.0	50.0
Amounts due to Group undertakings	2.7	2.7	2.7
Accruals	1.1	1.1	1.1
Total financial assets	53.8	53.8	53.8

No financial assets or liabilities were reclassified during the current or previous year between amortised cost and fair value categories. At 31 March 2022 and 31 March 2021 no financial assets or financial liabilities were carried at fair value.

Level 1:	Quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2:	Inputs other than quoted prices that are observable for the asset or liability, whether directly (i.e. as price) or indirectly (i.e. derived from the implications of prices).
Level 3:	Inputs for the asset or liability that are not based on observable market data, or have significant unobservable inputs.

All financial assets and liabilities are considered to be level 3 items. There were no transfers between Levels 1, 2 and 3 during the year (2021: none).

17. Financial instruments (continued)

Valuation methods for calculations of fair values in the table above 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.

Deposit for sale of investments
Fair value approximated to carrying value because the balance was short term in nature.

Amounts due to Group undertakings
The fair value was estimated to be their carrying amount as the balances were 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.

(b) Offsetting
At 31 March 2022 and 31 March 2021 no financial assets have been offset against financial liabilities. No balances are subject to enforceable master netting arrangements or similar agreements.

18. 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:

On Balance Sheet:	**31 March 2022 Total £m**	31 March 2021 Total £m
Cash at bank and in hand	**53.2**	3,367.0
Other receivables	**0.4**	-
Total	**53.6**	3,367.0

Additional information in respect of credit risk on cash at bank and in hand is provided in note 7. The credit risk on other receivables is immaterial.

18. Financial risk management (continued)

(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 tables below analyse the Company's financial assets and liabilities into relevant maturity groupings:

At 31 March 2022	On demand £m	Within three months £m	After three months but within six months £m	After six months but within one year £m	After one year but within five years £m	After five years £m	Total £m
Financial assets:							
Cash at bank and in hand	**53.2**	**-**	**-**	**-**	**-**	**-**	**53.2**
Other receivables	**0.4**	**-**	**-**	**-**	**-**	**-**	**0.4**
Total financial assets	**53.6**	**-**	**-**	**-**	**-**	**-**	**53.6**
Financial liabilities:							
Trade payables and accruals	**(5.7)**	**-**	**-**	**-**	**-**	**-**	**(5.7)**
Total financial liabilities	**(5.7)**	**-**	**-**	**-**	**-**	**-**	**(5.7)**

Assets and liabilities are included in the above table according to the earliest date that payment can be contractually demanded.

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 £642.0m and £188.0m respectively (2021: £2,173.4m and £115.2m) of which £4.3m and £0.3m respectively are classed as current (2021: £5.0 and £nil) and £637.7m and £187.7m respectively are classed as non-current (2021: £2,168.4m and £115.2m).

The tables below analyse the Company's financial assets and liabilities into relevant periods as at 31 March 2021.

At 31 March 2021	On demand £m	Within three months £m	Total £m
Financial assets:			
Cash at bank and in hand	3,367.0	-	3,367.0
Total financial assets	3,367.0	-	3,367.0
Financial liabilities:			
Deposit for sale of investments	-	(50.0)	(50.0)
Amounts due to Group undertakings	(2.7)	-	(2.7)
Accruals	-	(1.1)	(1.1)
Total financial liabilities	(2.7)	(51.1)	(53.8)

(c) Market risk

At 31 March 2022 and 31 March 2021 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 9.

19. 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.

20. 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.

21. Events after the reporting period

The Directors are of the opinion that there have been no significant events which have occurred since 31 March 2022 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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