

 **BANK OF SCOTLAND**
Foundation

Financial Statements for the year
ended 31 December 2017

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EDINBURGH FRONT DESK

A Company Limited by Guarantee Registered in Scotland Number SC229825
Scottish Charity Number SC032942



Financial Statements for the year ended 31 December 2017

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Financial Statements for the year ended 31 December 2017

Review of 2017 by the Chair

I am pleased to report that 2017 has been another successful year for the Bank of Scotland Foundation across our Grants Programmes and Matched Giving Programme with the distribution of £2,143,454 to charities across Scotland. Since 2010, we have now distributed over £12m to charities to develop and improve communities and increase financial literacy and financial inclusion across Scotland, enabling over 600,000 people to benefit from a variety of much needed local services and personal support.

In 2017, our Small Grants Programme awarded over £330,000 to charities with a strong community impact, and our Medium Grants Programme provided over £480,000 to charities working with people who are excluded or disadvantaged in society.

2017 was the third year of our Large Grants Programme and importantly, this newest grant programme carries the additional advantage of providing steady, reliable, funding over a longer period. Five charities addressing different areas of need across Scotland shared almost £444,000 of funding through the 2017 Large Grants Programme.


Our Matched Giving Programme supported the fundraising and volunteering efforts of Lloyds Banking Group plc (the "Group") employees with over 2,300 applications received in 2017. Over 520 charities across Scotland shared £870,986 through this programme which continues to support a wide range of causes including substantial support for the Group's Charity of the Year. Some employees support small local charities, while others apply for Matched Giving for some of Scotland's large national charities.

Our work in Scotland is not possible without the support of our sole funder, Lloyds Banking Group plc (the "Group") who donated £2,113,515 to Bank of Scotland Foundation in 2017 as part of their commitment to Helping Scotland Prosper. The Trustees are delighted that the Group has confirmed that its annual donation for 2018 will be £2,000,000.

In addition to providing financial support for charities, the Trustees have worked hard throughout 2017 with Jillian Baillie, Chief Executive of Bank of Scotland Foundation and her team to continue to develop a new non-financial support strategy for charities in Scotland, recognising that there is an opportunity to provide assistance beyond funding alone. We continue to engage the Group's employees in Scotland in volunteering with Foundation funded charities and at the end of 2017 we launched 'Enhance' - a mentoring programme that harnesses the skills of senior Group employees to strengthen Foundation funded charities.

My gratitude goes to the Trustees and Jillian and her team for ensuring we operate as efficiently and effectively as possible and for another year of delivering a consistently high level of service to charities whilst ensuring our funding is reaching the communities that need it most.

Through our Grants Programmes and Matched Giving Programme and our additional support strategies, we will strive to continue to support positive change across Scotland. We are making a real difference, but know there is more we can do to help Scotland's communities progress and prosper in 2018.



18 May 2018
Philip Grant
Chair

Financial Statements for the year ended 31 December 2017

Reference and Administrative Information

The names of the Trustees of the Bank of Scotland Foundation who were in office during the year and up to the date of signing the financial statements were:

Philip Grant (Chair)
Robin Bulloch
Sarah Deas
Martin Fleming
Donald Gateley
Paul Grice

Company Secretary: Ryan Beattie

Bankers: Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ

Legal Advisors: Lindsays
Caledonian Exchange
19a Canning Street
Edinburgh
EH3 8HE

Independent Auditors: PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Registered Office: The Mound
Edinburgh
EH1 1YZ

Registered Company No: SC229825 (Company limited by guarantee)

Scottish Charity No: SC032942

Trustees' Report

Structure, Governance and Management

Incorporation

Bank of Scotland Foundation ("the Foundation") was incorporated in Scotland on 2 April 2002 as a company limited by guarantee and is registered as a charity. The Foundation is the focal point of charitable donations within Scotland of Lloyds Banking Group plc.

The purposes for which the Foundation has been established are laid out in a Charter which specifies two priorities namely – developing and improving communities and financial inclusion and financial literacy.

Organisation

The Foundation is governed by a Board of Trustees, with Philip Grant as Chair. The day to day operations of the Foundation are delegated to Jillian Baillie, Chief Executive of the Foundation and her team. The Chief Executive of the Foundation reports to Fiona Cannon, Group Director, Responsible Business and Inclusion who reports into the Chief of Staff in the Group Chief Executive's Office of Lloyds Banking Group plc (the "Group").

The Trustees meet quarterly. Meetings are chaired by Philip Grant and are formally minuted. At each meeting of the Foundation, the Trustees determine overall policy, review all donations made in the previous quarter, note financial reports, review the budget position and decide on all grants which are submitted for approval. All decisions taken by the Trustees are in compliance with the Foundation Charter.

The Trustees have an agreed Investment Policy and Reserves Policy.

Trustees

The Trustees who served during the year and up to the date of signing the financial statements are listed on page 4. Each Trustee, except Sarah Deas and Paul Grice, is an employee of the Group.

The Trustees may appoint a Trustee provided that such person has first been recommended for appointment in accordance with the Trustee Appointment Policy. Trustees may only hold office for a maximum period of six years though in exceptional circumstances may be re-appointed for a third term of three years. Trustees appointed to the Foundation are Members of the company.

New Trustees are given induction training and regular updates are provided to all Trustees on all matters relating to their role as Trustees.

There is no maximum to the number of Trustees, but the minimum is three. Trustees may be paid expenses but may not be remunerated.

Trustees' Report (continued)

Risk Policy

The Trustees have examined the major strategic, business and operational risks which the charity faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks.

The Trustees regularly review the governance and activities of the Foundation at quarterly board meetings through the review of a risk matrix and risk register to ensure any risks are identified and that actions can be implemented to mitigate the risks in early course.

Objectives and Activities

The Foundation's policy is to make awards of grants in accordance with its charitable objectives:

- developing and improving communities; and
- financial inclusion and financial literacy

The Foundation meets these objectives through awarding grants to various organisations.

Achievements and Performance

Designed to make a genuine, tangible difference to individuals and their communities, the programmes of the Foundation have continued to flourish in 2017:

Small Grants – our programme accepts applications of between £1,000 and £10,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

Through our Small Grants Programme we make grants each quarter that have a strong community impact and make a tangible difference to the charities and the people they support. In addition, the Small Grants Programme aims to reach as many communities as possible throughout Scotland.

We distributed in excess of £330,000 through our Small Grants Programme to 56 charities across Scotland in 2017. Applications were received from charities across the sector including community groups, youth groups, older people's groups and organisations supporting those with a disability. The wide range of projects supported by the Foundation allows charities to apply for the funding that will make the greatest impact on the people they support. Our grant application process is straightforward and one of the most user-friendly and we continue to be one of few grant makers to provide funding for much needed core costs that put charities in a more stable position.

Medium Grants – our programme accepts applications of between £10,001 and £25,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

Trustees' Report (continued)

The Medium Grants Programme provides funding each quarter for projects that will make a lasting impact and only supports charities that work with people who are excluded or disadvantaged in society.

We distributed in excess of £480,000 through our Medium Grants programme to 35 charities across Scotland in 2017. Many of the charities work in areas of deprivation ensuring our funding is making a significant difference to the communities that need it most by addressing areas such as mental health, poverty, lack of employability skills and health issues.

Large Grants –our programme accepts applications of between £50,000 and £100,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

The Large Grants Programme is an annual programme that provides sustainable funding up to two years. Sustained funding is of great value to charities and we are delighted to be able to include this programme in our grants giving portfolio and help to reduce the dual pressures of financial uncertainty and increasing demand.

We distributed over £430,000 through this programme to five charities across Scotland in 2017. £180,000 of this funding was provided to projects that specifically address financial literacy and financial inclusion. In addition to funding, our Large Grants Programme is specifically designed to encourage charities to indicate their need for volunteers/mentors. All five charities advised that there were opportunities available and throughout 2018 the Foundation will work with the Group to engage its employees in meeting each charity's requirements and deliver meaningful and well-managed volunteer support.

Matched Giving – charities supported by the fundraising and volunteering efforts of the Group employees shared almost £871,000 in 2017. With over 14,000 Group employees across Scotland, our programme encourages them to become involved in their community by providing Matched Giving of up to £1,000 per employee per year. In 2017, the Group's Charity of the Year, Mental Health UK, were awarded £168,820 from the Foundation as a result of 489 employee applications, with employees undertaking a variety of fundraising activities throughout the year including cake sales, abseils and quiz nights. Overall, over 2,300 applications were received for Matched Giving in 2017 and the top 10 charities who received funding were:

Charity	Amount (£)
Mental Health UK (Lloyds Banking Group Charity of the Year)	168,820
Cancer Research	33,262
Children's Hospice Association Scotland	32,859
MacMillan Cancer Support	23,416
DEBRA	16,300
Spina Bifida Hydrocephalus Scotland	15,730
Alzheimer Scotland	15,675
SAMH	13,742
Beatson Cancer Charity	13,450
Waverley Care	13,050

Trustees' Report (continued)

Funding and Investment

The Foundation is an independent registered charity and is funded solely by Lloyds Banking Group plc (the "Group").

The Foundation's funds are directed towards charitable donations with all its administrative costs borne by the Group. In meeting its commitment to the Foundation, the Group provides:

- All staff costs plus related office and administration overheads.
- Support from Group Corporate Affairs on the marketing and promotion of activities.

Financial Review

In 2017, the Foundation received a donation of £2,113,515 from the Group.

During the year £2,143,454 was awarded to charities working in Scotland via the Small Grants Programme, Medium Grants Programme, Large Grants Programme and Matched Giving Programme.

The Trustees are of the opinion that 2017 has been another successful year for the Foundation.

Investment Policy

The Trustees adopt an investment policy that is prudent, cautious and practical. In general, Trustees are under a duty to obtain the best investment performance without undue risk to the investment funds. For the Foundation, the key requirements are:

Liquidity - there is a need to have funds available to distribute to the charitable projects agreed by the Trustees in accordance with project timetables.

Convenient and Efficient Services - prompt and accurate advice and information about the financial statements and their management is required.

Risk Aversion - the purpose of the Foundation is to contribute to charitable projects that meet the necessary funding criteria. The Foundation should prudently manage its funds and it would be inappropriate therefore to seek to invest money for capital growth or to adopt any strategy that would attract risk or impact adversely on the ability of the Trustees to achieve its objectives.

Financial Statements for the year ended 31 December 2017

Trustees' Report (continued)

Reserves Policy

It is the policy of the Foundation to maximise charitable giving whilst maintaining unrestricted funds at such a level to allow the charity to fulfil its existing obligations. This policy is reviewed at least annually as part of the approval of the budget for the following year.

As at 31 December 2017 the Foundation held £428,287 in unrestricted funds reserves (equal to total free reserves).

The Foundation aims to hold free reserves to cover current programme funding and running costs at any one time. The current reserves will be used to fund future donations in line with the Foundation's charitable objectives such that free reserves are maintained at a level appropriate to the Foundation's current commitments.

Plans for Future Years

The Foundation plans to continue to award grants to charities working across Scotland through its Grant Programmes and provide Matched Giving to charities supported by the Group's employees. This is made possible only by the continuing support of the Group through its annual donation of £2,000,000 in 2018 as part of its commitment to Helping Scotland Prosper.

The Trustees were pleased with the continuing success of the Large Grants Programme and are delighted to confirm that this programme will continue for 2018.

The Foundation will expand its Enhance Mentoring Programme which launched late 2017. This programme pairs charities in receipt of a Foundation grant with the Group's employees in Scotland to provide them with skills-based mentoring support to strengthen them so they can become more sustainable and meet their longer term aims.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

On behalf of the Trustees



Philip Grant
Chair
Bank of Scotland Foundation
18 May 2018

Statement of Trustees' responsibilities

The Trustees (who are also directors of Bank of Scotland Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Account and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state that applicable UK Accounting Standards, comprising FRS 102, 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 charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements for the year ended 31 December 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF BANK OF SCOTLAND FOUNDATION

Report on the financial statements

Opinion

In our opinion, Bank of Scotland Foundation's financial statements (the financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31st December 2017 and of its incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Financial Statements for the year ended 31st December 2017 (the "Annual Report"), which comprise: the Balance Sheet as at 31st December 2017; the Statement of Financial Activities (incorporating an Income and Expenditure account), the Statement of Cash Flows for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charitable company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF BANK OF SCOTLAND FOUNDATION (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Trustees' Annual Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Trustees' Annual Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on page 10, the Trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF BANK OF SCOTLAND FOUNDATION (continued)

the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditors under section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

A further description of our 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 our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members and trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and regulations made under those Acts (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 and Chapter 3 of Part 16 of the Companies Act 2006) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF
BANK OF SCOTLAND FOUNDATION (continued)**

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the trustees were not entitled to: prepare financial statements in accordance with the small companies' regime; take advantage of the small companies' exemption in preparing the Trustees' Annual Report; and take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Mark Hoskyns-Abraham', with a long horizontal line extending to the right.

Mark Hoskyns-Abraham
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EX
18 May 2018

Financial Statements for the year ended 31 December 2017

Audited Financial Statements

STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income & Expenditure Account)

For the year ended 31 December 2017

	Note	Unrestricted Funds 2017 £	Total 2017 £	Total 2016 £
Income and endowments from:				
Donations and legacies	2.1.4	2,113,515	2,113,515	2,116,900
Investments		8,151	8,151	10,442
Other income	2.1.5	298,547	298,547	240,702
Total income		2,420,213	2,420,213	2,368,044
Expenditure on:				
Charitable Activities	3	2,385,060	2,385,060	2,518,280
Other expenditure	4	60,668	60,668	55,515
Total expenditure		2,445,728	2,445,728	2,573,795
Net movement in funds / net (expenditure) income for the year		(25,515)	(25,515)	(205,751)
Total funds brought forward		453,802	453,802	659,553
Total funds carried forward		428,287	428,287	453,802

All activities are derived from continuing operations.

The fund balances brought forward and carried forward are unrestricted and are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.

The notes on pages 18 to 25 form part of these financial statements.

Financial Statements for the year ended 31 December 2017

BALANCE SHEET

As at 31 December 2017

	Note	2017 £	2016 £
Current Assets			
Cash at Bank and in hand		716,415	709,649
TOTAL CURRENT ASSETS		<u>716,415</u>	<u>709,649</u>
Creditors: amounts falling due within one year	6	(288,128)	(255,847)
NET CURRENT ASSETS		428,287	453,802
NET ASSETS		<u>428,287</u>	<u>453,802</u>
The funds of the charity:			
Unrestricted funds		428,287	453,802
Total Charity Funds		<u>428,287</u>	<u>453,802</u>

The financial statements were approved by the Board of Trustees on 18 May 2018 and signed on its behalf by:


Philip Grant, Chair of Bank of Scotland Foundation

Donald Gateley, Trustee of Bank of Scotland Foundation 

The notes on pages 18 to 25 form part of these financial statements.

A Company Limited by Guarantee Registered in Scotland Number SC229825

Financial Statements for the year ended 31 December 2017

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 £	2016 £
Reconciliation of net income to net cash flow from operating activities		
Net income/(outgoings) for the reporting period (as per the statement of financial activities)	(25,515)	(205,751)
Interest from investments	(8,151)	(10,442)
Increase in creditors	32,281	10,728
Net cash inflow / (outflow) provided by operating activities	<u>(1,385)</u>	<u>(205,465)</u>
Cash flows from investing activities:		
Interest from investments	8,151	10,442
(Decrease) / Increase in cash	<u>6,766</u>	<u>(195,023)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 December 2017

	2017 £	2016 £
Increase / (Decrease) in cash in year	6,766	(195,023)
Net funds at 1 January	<u>709,649</u>	<u>904,672</u>
Net funds at 31 December	<u>716,415</u>	<u>709,649</u>

The notes on pages 18 to 25 form part of these financial statements.

Financial Statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017

1. Guarantee company

Bank of Scotland Foundation ("the Foundation") is a charitable company limited by guarantee in Scotland and does not have any share capital. Its registered office is The Mound, Edinburgh, EH1 1YZ. The liability of the members is limited by the Articles of Association to £1 each. At 31 December 2017 there were six Trustees each of whom was also a Director and member.

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity is in the form of a Lloyds Banking Group plc Directors and Officers Insurance Policy which was in force throughout the last financial year and is currently in force.

2. Statement of compliance

The financial statements of the Foundation have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Charities Statement of Recommended Practice (FRS 102), and the Companies Act 2006.

2.1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

2.1.2 Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. Accordingly, the arrangements and headings have been adapted as provided for in the Companies Act 2006.

The Trustees have considered 2018 and beyond and based on discussions with Lloyds Banking Group plc, who provide funding to the Foundation and administrative support services, the Trustees have prepared the financial statements on a going concern basis.

The Foundation is a public benefit entity.

2.13 Fund accounting

The Foundation's funds are all unrestricted and are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.

Financial Statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

2.1 Accounting policies (continued)

2.14 Donations and legacies

All income is recognised in the Statement Of Financial Activities when the Foundation is entitled to the income, the flow of economic benefit to the Foundation is probable and the amount can be measured reliably. The auditors are appointed for the 2017 financial statements, and the fee is paid for by Lloyds Banking Group. The value of the audit of £8,515 has been included in the 2017 financial statements as a donated receipt within Donations and legacies income and as a donated service within Other expenditure.

2.15 Other income

All costs incurred by the Foundation, including staff costs, are paid by Lloyds Banking Group plc. Where this expenditure is readily quantifiable, it is recognised as income to, and expenditure of, the Foundation. The split is detailed in the table below.

	Staff Costs	Office Costs	Total 2017	Total 2016
	£	£	£	£
Developing & Improving Local Communities	153,466	45,477	198,943	136,623
Money Advice	30,035	8,901	38,936	48,564
Corporate Governance	48,904	11,764	60,668	55,515
	<u>232,405</u>	<u>66,142</u>	<u>298,547</u>	<u>240,702</u>

* Staff costs

	£
Salaries	141,304
Social security costs	20,591
Pensions	29,116
Other staff costs	41,394
Total	<u>232,405</u>

2.16 Expenditure

Charitable activities include grants payable which are charged in the year when the offer is conveyed and a valid expectation created with the recipient that the grant will be paid. Where the grant is conditional (i.e. performance related condition or a condition within the charity's control), such grant will not be recognised as expenditure until the conditions are fulfilled. These grants which have unmet conditions at the year-end are noted as a commitment, but not accrued as expenditure. Multi-period grants which have no performance related conditions and the only conditions are outside the Foundation's control are recognised in full as a liability in year of award if the payment of the grant is probable.

Grants and matched giving awards returned or cancelled are credited to expenditure in the year the monies are returned, or obligation terminated (if not yet paid).

Other expenditure included within charitable activities are shown in Note 3.

Financial Statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

2.16 Expenditure (continued)

Other expenditure comprises governance costs, such as the audit fee, legal fees and staff costs associated with the strategic management of the charity. This is shown in Note 4.

2.17 Allocation of costs

Charitable activities include the direct costs of the grant awards and the indirect support costs of delivering the grant programmes. Support costs are allocated between charitable programmes and governance on the basis of estimated time spent by staff. Governance costs comprise all costs involving the public accountability of the Charity and its compliance with regulation and good practice.

2.18 Taxation

The Foundation is recognised as a charity. As a result the charity is exempt from taxation on its charitable activities.

2.19 Financial instruments

The Foundation has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including cash and bank balances, are recognised at transaction price and subsequently carried at amortised cost.

(ii) Financial liabilities

Basic financial liabilities, including other creditors, are initially recognised at transaction price and subsequently carried at amortised cost.

3. Charitable Activities

	Grants Payable (3a) £	Matched Giving (3b) £	Support Costs £	Total 2017 £	Total 2016 £
Developing and improving local communities	922,414	866,198	207,458	1,996,070	1,860,110
Money advice and financial literacy	350,054	-	38,936	388,990	658,170
	<u>1,272,468</u>	<u>866,198</u>	<u>246,394</u>	<u>2,385,060</u>	<u>2,518,280</u>

During 2017 the Foundation made 81 grants to developing and improving local communities ranging from £2,000 to £97,896 and 15 grants to money advice and financial literacy causes ranging from £3,500 to £100,000.

Financial Statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

3. Charitable Activities (continued)

Support costs primarily include other staff costs that are paid for by Lloyds Banking Group plc. Staff costs relate to four employees of Lloyds Banking Group plc who carried out certain administrative duties of the Foundation during the year. One of these employees received employee benefits (excluding employer pension costs) between £60,000 and £70,000, and one received employee benefits between £70,000 and £80,000.

The Foundation did not have any employees during the year (2016: nil).

3a. Reconciliation of Grants Payable

	2017 £	2016 £
Grants awarded in the year	1,272,468	1,426,181
Grants returned	-	(10,000)
	<u>1,272,468</u>	<u>1,416,181</u>

3b. Reconciliation of Matched Giving Payable

	2017 £	2016 £
Matched Giving awarded in the year	870,986	909,158
Matched Giving cancelled	(4,788)	(761)
	<u>866,198</u>	<u>908,397</u>

4. Other expenditure

	2017 £	2016 £
Staff Costs	48,904	42,603
Auditor's remuneration	8,515	8,515
Legal Fees	3,249	4,397
	<u>60,668</u>	<u>55,515</u>

5. Trustees' expenses

No Trustees received remuneration or accommodation expenses during the year from the Foundation. Reimbursed expenditure of £62 was made to one Trustee in relation to travel expenses during the year (2016: £81 to one Trustee for travel expenses).

Financial Statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

6. Creditors: amounts falling due within one year

	2017	2016
	£	£
Grants payable	288,128	255,847
	<u>288,128</u>	<u>255,847</u>

Grants payable relate to applications received for colleague Matched Giving prior to 31 December 2017 that had not been paid at the year-end (£114,398) and the second year instalments for 2017 Large Grant beneficiaries (£173,730).

7. Related party transactions

The Foundation is related to and derives its revenue solely from Lloyds Banking Group plc. The Foundation entered into a funding covenant with Lloyds Banking Group plc, where the Lloyds Banking Group plc will provide annual funding of £2m.

The following transactions took place with Lloyds Banking Group plc during the year, and with which there were the following balances at the year-end:

The Foundation received £2,000,000 (2016: £2,000,000) under the terms of the funding covenant and a further donation of £105,000 (2016: £108,345) in the year. Lloyds Banking Group plc also paid costs of £307,062 (2016: £240,702) on behalf of the Foundation. These costs have been paid in accordance with the terms of the funding covenant.

The costs of £307,062 includes £232,405 (2016: £191,269) for four staff members who work for the Foundation but are employed by Lloyds Banking Group plc, and the audit fee of £8,515.

Each Trustee, except Sarah Deas and Paul Grice, is an employee of Lloyds Banking Group plc and receives remuneration as a result of this employment.

At 31 December 2017 a balance of £716,415 (2016 - £709,649) was held at Bank of Scotland plc. This includes the donation of £105,000 (see above) which was passed for payment before the year end and received into the Foundation's bank account shortly thereafter. The Foundation also received interest of £8,151 (2016 - £10,442) in the year.

8. Controlling party

The Trustees are of the opinion that there is no controlling party.

Financial Statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

9. Analysis of charitable expenditure

The following table lists all Grants made during the year and the amount disclosed represents the amount which is recorded in the Statement of Financial Activities for the year ended 31 December 2017. No grants to individuals were approved in the year.

Small Grants	£
Falkirk and Central Scotland Samaritans	2,000
Glasgow Eagles Multi Sports Club	2,460
Music in Hospitals	3,000
Smart Works Edinburgh	3,000
People First (Fraserburgh)	3,500
Annan & District Day Centre	3,500
Mid- Argyll Transport Volunteers	3,550
Alyth Youth Partnership SCIO	4,000
Carers Forum Stirling Area	4,000
Lord's Taverners	4,000
Watermill Foundation Limited	4,000
Health in Mind	4,000
Stirling Family Support Services	4,500
Riding for the Disabled Glasgow Group	4,800
Glasgow Action for Pensioners	5,000
Broomhill Day Centre	5,000
Cue and Review Recording Service	5,000
Baillieston Community Care	5,000
The PBC Foundation	5,000
Home-Start Clackmannanshire	5,000
Linnvale Community Bus	5,000
Govan Home and Education Link Project	5,000
Renfrewshire Women's Aid	5,000
Epilepsy Scotland	5,000
Ignite Theatre	5,000
Options in Life	5,000
Drake Music Scotland	5,000
Harbour Counselling Service Limited	5,000
SeAscape	5,200
Gorbals Youth Run Drop in Cafe (Gorbals Youth Cafe)	5,280
Befrienders Highland	5,370
YDance (Scottish Youth Dance)	5,400
The Larder West Lothian	5,600
Wild things!	6,000
Enable Ayr & District SCIO	6,050
Interest Link Borders	6,325
Orkney Alcohol Counselling & Advisory Service	7,000
Pilmey Youth Centre	7,047
St. Crispin's Out of School Care Association Limited	7,165
Lochaber Women's Aid	7,500

Financial Statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

9. Analysis of charitable expenditure (continued)

Small Grants (continued)	£
Fife Shopping & Support Services	7,744
Leuchie House	7,765
The Langholm and district Daycentre for Older People	7,800
Care Lochaber	8,000
Bobath Scotland	8,008
Rowan Alba Ltd	8,233
Safe Space	9,000
CLAN Cancer Support	9,450
Networks of Wellbeing	9,720
Positive Help	9,931
East Kilbride Citizens Advice Bureau Ltd	9,941
Tweeddale Youth Action	9,992
Dumfries and Galloway Befriending Project	10,000
Glasgow City Mission	10,000
Starter Packs Inverclyde	10,000
Voluntary Action Shetland	10,000
Total Small Grants	339,831

Medium Grants	£
Reidvale Adventure Play Association Limited	10,351
Home-Start West Lothian	10,400
Indepen-dance (Scotland) Ltd	11,000
Ormlie Community Association	11,000
Rainbow Volunteer Project	11,200
Whiteinch Centre	11,250
Down's Syndrome Scotland	11,360
Epilepsy Connections	11,500
Rutherglen & Cambuslang Citizens Advice Bureau	11,500
Columcille	11,520
Community Central Hall	11,568
Includem	11,596
LGBT Health and Wellbeing (LGBT Healthy Living Centre)	12,000
Volunteer Centre Dundee	12,000
The Ripple Project	12,200
Tailor Ed Foundation	12,500
Scottish Borders Rape Crisis Centre (SBRCC)	12,500
Merry-go-round Glasgow	12,800
Edinburgh Headway Group	12,916
Tayside Council on Alcohol	13,000

Financial Statements for the year ended 31 December 2017

Notes to the financial statements for the year ended 31 December 2017 (continued)

9. Analysis of charitable expenditure (continued)

Medium Grants (continued)	£
Shetland Islands Citizens Advice Bureau	13,210
Scotland Yard Adventure Centre	13,500
The Preshal Trust	13,738
Eildon West Youth Hub	13,914
Greater Pollok Citizens Advice Bureau	14,000
Falkirk and District Association for Mental Health	14,132
Home-Start Angus	14,858
Home-Start Glasgow South	15,000
Volunteering Hebrides	15,000
Cairns Counselling	17,775
Parkhead Citizens Advice Bureau	18,110
Edinburgh Rape Crisis Centre	19,000
East Ayrshire Carers Centre	23,450
Coatbridge Citizens Advice Bureau	24,003
Clackmannanshire Citizens Advice Bureau LTD	24,890

Total Medium Grants	488,741
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Large Grants	£
Thistle Health and Wellbeing	70,000
Maggie Keswick Jencks Cancer Caring Centres Trust	80,000
Cyrenians	96,000
Bield Housing & Care	97,896
Govan Law Centre	100,000

Total Large Grants	443,896
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