



BANK OF SCOTLAND
Foundation

Financial Statements for the
year
ended 31 December 2020

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

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Review of 2020 by the Chair

In my sixth and final year as Chair, I find myself reporting on one of the most challenging years faced by the Bank of Scotland Foundation (“the Foundation”) and indeed the whole of Scotland. Whilst I am pleased to report that 2020 has been another successful year for the Foundation, I must recognise at the outset the huge efforts from the Foundation team and the Board that ensured we could continue to support Scotland’s charities throughout the Covid-19 pandemic. I am hugely grateful for their dedication and professionalism throughout the year.

I have been immensely proud to Chair the Foundation during the crisis and with an annual donation of almost £5m from our sole funder, Lloyds Banking Group (“the Group”), we have been able to continue to deliver our five-year strategy, Supporting Positive Change Across Scotland. Our strategy was adapted this year to ensure we could distribute our funding effectively, efficiently and quickly to charities - adaptations included the launch of our Contingency Fund, increasing the frequency of our grant funding, amending the income criteria to enable more charities to apply and increasing the upper application limit to £30k to allow charities to apply for larger amounts of funding.

I am delighted that as a result of the Group’s donation, our Grant funding programmes, Matched Giving, Charity Donations and December Donations distributed £4,405,638 to charities across Scotland in 2020. In our tenth anniversary year, this means we have now reached the milestone of providing over £22m of funding to Scottish charities through our programmes, which has enabled over 800,000 people to benefit from a variety of much needed local services and personal support.

In 2020 our Reach Grant programme awarded over £2.5m to 190 charities making a strong community impact. This programme was amended in April 2020 to run more frequently as a result of the Covid-19 crisis.

We launched our Invest Grants programme in 2020, and importantly this flagship programme carries the additional advantage of providing steady, reliable funding of up to five years. Eight charities addressing a variety of issues across Scotland shared over £850,000 of funding through the 2020 Invest Grants programme.

An additional fund for Covid-19 Contingency grants was launched in April 2020 and this resulted in over 150 existing grantees awarded almost £680k to support their work during the pandemic.

Our Matched Giving Programme supported the fundraising and volunteering efforts of Lloyds Banking Group colleagues with almost 800 applications approved in 2020. Just under 300 charities across Scotland shared £304,877 through this programme. A large number of colleagues supported mental health through the Group’s Charity of the Year (Mental Health UK) whilst many chose to support small, local charities enabling our funding to reach communities across Scotland at a grass roots level.

In 2020 our Enhance Mentoring Programme continued to offer long-term strategic support for charities. At the end of December, 37 charities were being mentored by colleagues from the Group, all of which have become remote mentoring partnerships owing to the pandemic until such time as restrictions are lifted. The success of this programme is thanks to the

commitment of the Group’s colleagues who have registered to become a mentor and we look forward to continuing to offer Enhance to the charities that we fund each year.

Review of 2020 by the Chair (cont'd)

The Covid-19 pandemic changed the whole world in 2020 and had a devastating impact on many charities across Scotland. In turn, some of Scotland's most disadvantaged people were adversely affected as the critical support they ordinarily receive was withdrawn or put on hold.

Recognising the severity of the challenges faced, the Trustees developed a Covid-19 response plan which resulted in three key changes:

- a Contingency Fund was immediately established to offer all our current grantees (153 charities) an additional award of 20% of their current grant.
- our Reach Grants Programme became the sole focus of our grant funding for the remainder of the year 2020 ensuring even more small and medium charities could benefit from funding.
- working with the Group, we expanded our Enhance Mentoring Programme which matches the Group's colleagues with Foundation funded charities to offer strategic guidance.

Our plan brought stability to charities during very challenging months and helped them meet the immediate and longer term needs of some of Scotland's most vulnerable people.

I wish to close by expressing my continued thanks to the Trustees both past and present and Jillian and her team for their support and friendship which has made my role as Chair so enjoyable. The last six years have seen a period of significant growth and their enthusiasm and commitment throughout has been inspirational. I wish the Foundation continued success and hope my successor can take the Foundation on to even greater heights.



24 May 2021
Philip Grant
Chair

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)
Graham Blair
Martin Fleming
Alison Macdonald
Graeme Thompson
Karen Watt
Sarah Deas (resigned 1 July 2020)
Paul Grice (resigned 8 August 2020)
Tara Foley (resigned 28 September 2020)

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 “Group”).

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 Sustainable Business Director, who reports into the Chief of Staff of the Group.

The Trustees generally meet quarterly, but due to the Covid-19 pandemic in 2020, the meetings were held more frequently. 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 since the previous meeting, note financial reports, review the budget position and decide on all grants which are submitted for approval.

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 5. Each Trustee with the exception of Karen Watt and Graeme Thompson 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, including risks in relation to Covid-19 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 review the governance and activities of the Foundation each quarter through the detailed 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 main strategic objectives are to:

- Focus its work and impact on charities that demonstrate they address social exclusion or disadvantage.
- Develop flexible, responsive grant making tailored to the needs of those supported.
- As a learning organisation, the Foundation will work to improve its impact and the quality of what it does and will provide best in class customer service.
- Realise the value of its strategic partnership with the Group.

The Foundation primarily meets these objectives through awarding grants to charities across Scotland.

Achievements and Performance

Designed to make a genuine, tangible difference to individuals and their communities, the Foundations five year strategic plan "Supporting Positive Change Across Scotland" continued to deliver grants programmes designed to meet the needs of charities.

In response to the Covid-19 pandemic, the Foundation had to adapt quickly to respond to the increasing financial challenges faced by charities:

Reach Grants – this programme which launched in August 2019 originally accepted applications of between £1,000 and £20,000 from charities registered in Scotland that met the funding criteria of the Foundation.

The Reach Grants Programme was initially a quarterly programme that provided funding for charities with an income of £1m or less and aimed to make positive and lasting change in communities across Scotland. Due to the Covid-19 pandemic this programme was enhanced in April 2020, resulting in seven grant application periods for the whole of 2020, as opposed to the planned four. In addition, the programme was amended to accept applications between £5,000 and £30,000 from charities with an income of £1.5m or less to enable more charities to apply for funding and for larger sums. (Our planned **Change and Advise** programmes were deferred until 2021 to enable this to happen.) We distributed over £2,500,000 through this programme to 190 charities across Scotland in 2020.

Trustees' Report (continued)

Invest Grants – our first Invest Grants programme launched in March 2020 and accepted applications from charities with an annual income of £1m or less. Charities could apply for grants for core costs of £20,000 to £40,000 each year for up to five years. This multi-year funding provides financial certainty to charities to enable them to deliver vital services.

This grant programme saw the highest number of applications received for any grant programme in the last ten years, demonstrating the real need for multi-year funding.

We distributed almost £860,000 through this programme to 8 charities across Scotland.

This programme will launch again in 2021 and will have a theme of Financial Vulnerability.

Covid-19 Contingency Fund – this fund for existing grantees was established in April 2020 as a direct response to the increasing financial challenges that charities were facing due to the pandemic.

In total 153 charities were contacted and offered a contingency award of 20% of their current grant value. This award could be used to continue to carry out the original purpose of their grant, or if this was not possible, as a contribution to their general running costs. Every charity accepted our offer, enabling a total of over £677,000 to be distributed.

Mentoring Programme – This programme offers charities in receipt of a Foundation grant the opportunity to be matched with one of the Group's colleagues in Scotland and receive skills-based mentoring support to help strengthen them so they can become more sustainable and meet their longer term aims.

As at 31 December 2020, 37 charities were matched to a Lloyds Banking Group colleague.

Matched Giving – charities supported by the fundraising and volunteering efforts of the Group colleagues shared almost £305,000 in 2020. With over 13,500 Group colleagues 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 2020, the Group's Charity of the Year, Mental Health UK, was awarded £41,458 from the Foundation as a result of 131 employee applications, with colleagues undertaking a variety of fundraising activities throughout the year including virtual quiz nights and sponsored walks.

Trustees' Report (continued)

Overall, almost 800 applications were received for Matched Giving in 2020 and the top 10 charities who received funding were:

Charity	Amount (£)
Mental Health UK (Lloyds Banking Group Charity of the Year)	41,458
CHAS	9,985
Debra	8,000
Macmillan Cancer Support	7,306
Cancer Research UK	5,380
Make 2 nd 's Count	4,947
Fife Health Board Endowment Fund	4,888
Stillbirth and Neonatal Death Society	4,635
Marie Curie	4,392
Musselburgh Windsor Community Football Club	4,320

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 staff and office costs borne by the Group in 2020.

The Foundation has a funding covenant with the Group, where each year the Foundation receives 0.1946% of the Lloyds Banking Group's adjusted pre-tax profits averaged over the previous three Accounting Reference periods subject to a minimum amount of £2.9m, and a maximum amount of £9.73m. This funding covenant has been in place since February 2019.

Financial Review

In 2020, the Foundation received a donation of £4,972,472 from the Group under the terms of the funding covenant.

During the year £4,405,638 was awarded to charities working in Scotland via the Reach Grants Programme, Invest Grants Programme, Covid-19 Contingency Fund, December Donations, Charity Donations and Matched Giving Programme.

The Trustees are of the opinion that 2020 has been a unique and outstanding year for the Foundation during unprecedented times.

Trustees' Report (continued)

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.

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 2020 the Foundation held £2,450,310 in unrestricted funds reserves (equal to total free reserves).

The Foundation holds free reserves to cover current programme funding commitments and 12 months running costs at any one time. The current reserves will be used to fund future grants in line with the Foundation's Grants programmes as outlined in the Foundation's Strategy "Supporting Positive Change across Scotland".

Plans for Future Years

In May 2020, recognising the additional pressures and challenges that Covid-19 was having across the Third Sector in particular, the Group provided certainty of holding the 2021 donation at the same level as made in 2020, regardless of the Group's 2020 year-end financial performance. Subsequently, in February 2021, the Group's annual donation to the Foundation was £4,972,609. This decision has allowed us to continue with the vital work that we do which is needed now more than ever when the vulnerable in society are facing so many challenges.

Throughout 2021, we plan to continue to award grants to charities working across Scotland through our Grant Programmes and provide Matched Giving to charities supported by the Group's colleagues.

Trustees' Report (continued)

Independent auditors

PricewaterhouseCoopers LLP (PwC) has been the auditor of the Foundation and the Group since 1995, and in accordance with legal and regulatory requirements, will be resigning as auditor following completion of the audit for the year ended 31 December 2020. Following a tender process in 2018, Deloitte were appointed as the Group's auditor for the financial year beginning on 1 January 2021 and subsequently, the Foundation has appointed Deloitte.

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

A handwritten signature in black ink, appearing to read 'Philip Grant', with a long horizontal stroke extending to the right.

Philip Grant
Chair
Bank of Scotland Foundation
24 May 2021

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.

Statement of disclosure to auditors

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.

Independent auditors' report to the members and trustees of Bank of Scotland Foundation

Report on the audit of 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 31 December 2020 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 regulation 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 31 December 2020 (the “Annual Report”), which comprise: the balance sheet as at 31 December 2020; the statement of financial activities (incorporating an income and expenditure account), the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies .

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

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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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 our work undertaken in the course of the audit, the Companies Act 2006 and The Charities Accounts (Scotland) Regulations 2006 (as amended) 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, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Trustees' Annual Report have 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 Statement of Trustees' Responsibilities, 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 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.

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

Based on our understanding of the charitable company/industry, we identified that the principal risks of non-compliance with laws and regulations related to charity regulations and legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006 (as amended). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate use of the charities funds. Audit procedures performed included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- review of records of discussion among key personnel;
- evaluation of management's internal controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by management in its accounting estimates;
- tested expenditure to a high level of audit assurance.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC'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 charitable company'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 (as amended) 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

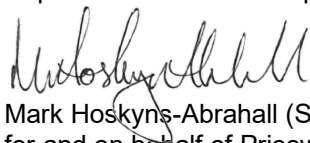
Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- 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
- 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.

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; 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.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

24 May 2021

Audited Financial Statements

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

For the year ended 31 December 2020

	Note	Unrestricted Funds 2020 £	Total 2020 £	Total 2019 £
Income and endowments from:				
Donations and legacies	2.1.3	4,972,472	4,972,472	5,014,584
Investments		12,428	12,428	24,735
Other income	2.1.4	329,450	329,450	294,138
Total income		<u>5,314,350</u>	<u>5,314,350</u>	<u>5,333,457</u>
Expenditure on:				
Charitable Activities	3	4,748,246	4,748,246	3,824,017
Other expenditure	4	71,365	71,365	65,549
Total expenditure		<u>4,819,611</u>	<u>4,819,611</u>	<u>3,889,566</u>
Net movement in funds / net income / (expenditure) for the year		<u>494,739</u>	<u>494,739</u>	<u>1,443,891</u>
Total funds brought forward		1,955,571	1,955,571	511,680
Total funds carried forward		<u>2,450,310</u>	<u>2,450,310</u>	<u>1,955,571</u>

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 20 to 25 form part of these financial statements.

BALANCE SHEET

As at 31 December 2020

	Note	2020 £	2019 £
Current Assets			
Cash at Bank and in hand		<u>3,107,349</u>	<u>2,614,935</u>
TOTAL CURRENT ASSETS		<u>3,107,349</u>	<u>2,614,935</u>
Creditors: amounts falling due within one year	6	<u>(232,832)</u>	<u>(659,364)</u>
NET CURRENT ASSETS		2,874,517	1,955,571
Creditors: amounts falling due after one year	7	(424,207)	
		<u> </u>	<u> </u>
TOTAL NET ASSETS		<u>2,450,310</u>	<u>1,955,571</u>
The funds of the charity:			
Unrestricted funds		<u>2,450,310</u>	<u>1,955,571</u>
Total Charity Funds		<u>2,450,310</u>	<u>1,955,571</u>

The financial statements were approved by the Board of Trustees on 24 May 2021 and signed on its behalf by:



Philip Grant, Chair of Bank of Scotland Foundation



Martin Fleming, Trustee of Bank of Scotland Foundation

The notes on pages 20 to 26 form part of these financial statements.

A Company Limited by Guarantee Registered in Scotland Number SC229825

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 £	2019 £
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)	494,739	1,443,891
Interest from investments	(12,428)	(24,735)
(Decrease) / Increase in creditors	(2,325)	314,088
Net cash inflows provided by operating activities	479,986	1,733,244
Cash flows from investing activities:		
Interest from investments	12,428	24,735
Increases in cash	492,414	1,757,979

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 December 2020

	2020 £	2019 £
Increase / (Decrease) in cash in year	492,414	1,757,979
Net funds at 1 January	2,614,935	856,956
Net funds at 31 December	3,107,349	2,614,935

The notes on pages 20 to 26 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2020

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 2020 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. For those Directors who are employees of Lloyds Banking Group plc 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. For the remaining Directors the indemnity is in the form of a separate policy taken out by the Foundation and which 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.

2.1.1 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 2021 and beyond and based on the funding covenant in place with the Group and discussions with the Group, who also provide staff services, the Trustees have prepared the financial statements on a going concern basis.

The Foundation is a public benefit entity.

2.1.2 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.

2.1.3 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 Foundation received £4,972,472 under the terms of the funding covenant with Lloyds Banking Group. No further donations were received in 2020.

Notes to the financial statements for the year ended 31 December 2020 (continued)

2.1 Accounting policies (continued)

2.1.4 Other income

All office, utilities and staff costs incurred by the Foundation, 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 2020 £	Total 2019 £
Social Exclusion and Disadvantage	268,144	-	268,144	236,908
Corporate Governance	52,606	8,700	61,306	57,230
	<u>320,750</u>	<u>8,700</u>	<u>329,450</u>	<u>294,138</u>

* Staff costs

	2020 £	2019 £
Salaries	215,997	179,943
Social security costs	23,711	25,149
Pensions	47,869	40,075
Other staff costs	33,173	40,371
Total	<u>320,750</u>	<u>285,538</u>

The auditors are appointed for the 2020 financial statements, and audit fee is paid for by the Group. The value of the audit of £8,700 has been included in the 2020 financial statements as a donated receipt within Other Incoming Resources (Corporate Governance) and as a donated service within Other Expenditure.

2.1.5 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. All multi-period grants have no performance related conditions and the only conditions are outside the Foundation's control. All multi-period grants 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.

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

Notes to the financial statements for the year ended 31 December 2020 (continued)

2.1.6 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.

2.1.7 Taxation

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

2.1.8 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 2020 £	Total 2019 £
Social Exclusion and Disadvantage	4,050,261	301,999	395,986	4,748,246	3,824,017
Total Charitable Activities	4,050,261	301,999	395,986	4,748,246	3,824,017

During 2020 the Foundation made 351 grants for Social Exclusion and Disadvantage ranging from £300 to £145,175. These totals include Covid -19 contingency grants awarded to existing grant recipients as a % of their original grant. Also included under support costs were December donations to 10 charities, representing an overall total of £50,000.

Notes to the financial statements for the year ended 31 December 2020 (continued)

3. Charitable Activities (continued)

Support costs primarily include other staff costs that are paid for by Lloyds Banking Group plc, and operating costs paid for by the Foundation. Staff costs relate to five colleagues of Lloyds Banking Group plc who carried out certain administrative duties of the Foundation during the year.

The number of employees receiving employee benefits (excluding employer pension costs) greater than £60,000 are as follows:

	2020	2019
	<u>No.</u>	<u>No.</u>
£60,000 to £70,000	1	2
£70,000 to £80,000	1	-
Total	<u>2</u>	<u>2</u>

The Foundation did not have any employees during the year (2019: nil).

3a. Reconciliation of Grants Payable

	2020	2019
	<u>£</u>	<u>£</u>
Grants awarded in the year	4,050,261	2,813,522
Grants returned	-	(51,953)
	<u>4,050,261</u>	<u>2,761,569</u>

3b. Reconciliation of Matched Giving Payable

	2020	2019
	<u>£</u>	<u>£</u>
Matched Giving awarded in the year	304,877	674,382
Matched Giving cancelled	(2,878)	(3,700)
	<u>301,999</u>	<u>670,682</u>

4. Other expenditure

	2020	2019
	<u>£</u>	<u>£</u>
Staff Costs	52,606	48,630
Auditors' remuneration	8,700	8,600
Legal Fees	10,059	8,319
	<u>71,365</u>	<u>65,549</u>

Notes to the financial statements for the year ended 31 December 2020 (continued)

5. Trustees' expenses

No Trustees received remuneration or accommodation expenses during the year from the Foundation. Reimbursed expenditure of £321 in total was made to one Trustee in relation to travel expenses during the year. (2019: £322 to two Trustees for travel expenses).

6. Creditors: amounts falling due within one year

	2020	2019
	£	£
Grants payable	232,832	657,737
Accruals	-	1,627
	<u>232,832</u>	<u>659,364</u>

Grants payable relate to applications received for colleague Matched Giving prior to 31 December 2020 that had not been paid at the year-end (£15,144) and the second year instalments for 2020 Invest Grant beneficiaries (£217,687).

7. Creditors: amounts falling due after one year

	2020	2019
	£	£
Grants payable	424,207	-
	<u>424,207</u>	<u>-</u>

Grants payable relate to the third and subsequent year instalments for 2020 Invest Grant beneficiaries.

Notes to the financial statements for the year ended 31 December 2020 (continued)

8. Related party transactions

The Foundation is related to and derives its revenue solely from Lloyds Banking Group plc. ("the Group")

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

The Foundation received £4,972,472 (2019: £4,913,326) under the terms of the funding covenant in the year. The Group also paid costs of £329,450 (2019: £294,138) on behalf of the Foundation. These costs have been paid in accordance with the terms of the funding covenant.

The costs of £329,450 includes £320,750 (2019: £285,538) for five staff members who work for the Foundation but are employed by the Group, and the audit fee of £8,700 (2019 £8,600).

Each Trustee, except Graeme Thompson and Karen Watt is an employee of the Group and receives remuneration as a result of this employment.

In 2020 a grant of £12,162 was made to Project Scotland, Martin Fleming acted as a Trustee for both organisations during the year.

At 31 December 2020 a balance of £3,107,350 (2019 - £2,614,935) was held at Bank of Scotland plc. The Foundation also received interest of £12,428 (2019 - £24,735) in the year.

9. Controlling party

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

10. Analysis of charitable expenditure

The following table lists all Grants over £20,000 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 2020. A full list of all grants awarded in 2020 is available on our website www.bankofscotlandfoundation.org. No grants to individuals were approved in the year.

Notes to the financial statements for the year ended 31 December 2020 (continued)

Grants over £20,000	£
Rosemount Lifelong Learning	20,871
Scottish Sports Futures	21,321
Cairns Counselling	21,455
Lomond and Argyll Advocacy Service	21,480
Bridges Project	21,661
Epilepsy Action Scotland	22,138
ACE IT Scotland	22,742
Community Central Hall	23,120
Anchor House	23,931
Partick Thistle Charitable Trust	25,000
Make 2nds Count	25,000
Aberdeen Cyrenians	25,000
SHRUB Coop	25,048
Mikeysline	25,100
Move On	25,373
Liber8 (Lanarkshire) Ltd	25,477
Angus Citizens Advice Bureau	25,875
Church House, Bridgeton [SCIO]	25,914
Edinburgh Rape Crisis Centre	26,209
Glasgow North West Citizens Advice Bureau	26,455
Cerebral Palsy Scotland (formerly Bobath Scotland)	26,871
Airdrie Citizens Advice Bureau	27,750
Cowal Elderly Befrienders SCIO	28,192
Bridgend Farmhouse	28,502
Fife Intensive Rehabilitation and Substance Misuse Team	28,818
Broxburn United Sports Club	29,103
East Dunbartonshire Women's Aid SCIO	29,641
Salvesen Mindroom Centre	29,870
Aberdeen Citizens Advice Bureau	30,000
Glasgow Women's Aid	30,631
Motherwell & Wishaw Citizens Advice Bureau	30,722
Sistema Scotland	36,811
Beatson Cancer Charity	40,000
REACH Lanarkshire Autism	64,228
Home-Start Renfrewshire and Inverclyde	95,643
Parkhead Citizens Advice Bureau	103,125
Caithness & Sutherland Women's Aid (CASWA)	103,940
Riding for the Disabled Association Glasgow Group	106,625
West Dunbartonshire Community Foodshare	113,370
theGKexperience	127,475
The Moira Anderson Foundation	145,175
Total Grants Over £20,000	£1,735,662