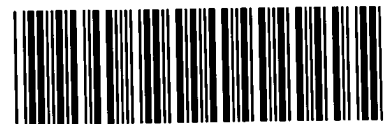


BANK OF SCOTLAND **Foundation**

Financial Statements for the year ended 31 December 2016

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

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Financial Statements for the year ended 31 December 2016

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Financial Statements for the year ended 31 December 2016

Review of 2016 by the Chair

I am delighted to report that 2016 has been another successful year for the Bank of Scotland Foundation across our Grants Programmes and Matched Giving Programme with the distribution of £2,335,339 to charities across Scotland. Since 2010, we have now distributed over £10m to charities to develop and improve communities and increase financial literacy and financial inclusion across Scotland, enabling over 500,000 people to benefit from a variety of much needed local services and personal support.

In 2016, our Small Grants Programme awarded over £410,000 to charities with a strong community impact, and our Medium Grants Programme provided over £530,000 to charities working with people who are excluded or disadvantaged in society.

2016 was the second 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. Six charities supporting different areas of need across Scotland shared £481,000 of funding through the 2016 Large Grants Programme.

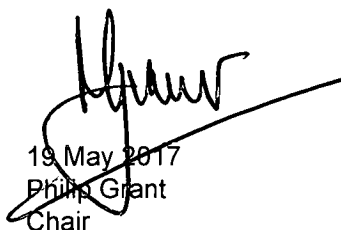
Our Matched Giving Programme continues to grow and in 2016 we supported the fundraising and volunteering efforts of Lloyds Banking Group plc colleagues with over 2,400 applications received. Over 530 charities across Scotland shared a record £909,158 with an increasing number of employees choosing to support small, local charities enabling our funding to reach communities across Scotland at a grass-roots level.

Our work in Scotland is not possible without the support of our sole funder, Lloyds Banking Group plc (the "Group") who donated £2,116,860 to Bank of Scotland Foundation in 2016 as part of their commitment to Helping Scotland Prosper. The Trustees are delighted that the Group has confirmed that its annual donation for 2017 will be £2,000,000.

The Trustees have worked hard throughout 2016 with Jillian Baillie, Chief Executive of Bank of Scotland Foundation and her team to develop a new support strategy for charities in Scotland, recognising that there is an opportunity to provide assistance beyond funding alone. From next year, we will be engaging the Group's employees in Scotland in aligning skills-based volunteering and mentoring with Bank of Scotland Foundation funded charities. We recognise the scale of the evident need for volunteers across Scotland and also the huge talent, energy and commitment of the Group's employees and through this new volunteering initiative we aim to help meet the demand and help Scotland's charities develop and grow.

My thanks to the Trustees and Jillian and her team for their hard work on developing the new strategy 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 new support strategy, we will continue to help charities throughout Scotland who are at the forefront of delivering positive change.



19 May 2017
Philip Grant
Chair

Financial Statements for the year ended 31 December 2016

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 (Appointed 4 March 2016)
Donald Gateley (Appointed 4 March 2016)
Paul Grice

Company Secretary: Ryan Beattie

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

Legal Advisors: Shepherd & Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

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 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 Lloyds Banking Group plc.

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 thrive in 2016:

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 across Scotland.

We distributed in excess of £410,000 through our Small Grants Programme to 80 charities across Scotland in 2016. The diverse nature of the 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 process is straightforward and we continue to be one of few grant makers to provide funding for much needed core costs.

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.

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.

Trustees' Report (continued)

We distributed in excess of £530,000 through our Medium Grants programme to 32 charities across Scotland in 2016. Many of the charities work in areas of deprivation ensuring our funding is making a significant difference to the communities that need it most.

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 immense value to charities and we are delighted to be able to include this programme in our grants giving portfolio and help to reduce the pressures of financial uncertainty for charities.

We distributed over £480,000 through this programme to six charities across Scotland in 2016. Over £350k of this funding was provided to charities that specifically address financial literacy and financial inclusion. In addition to funding, our Large Grants Programme was specifically designed to encourage charities to indicate their need for volunteers/mentors. All six charities advised that there were opportunities available and throughout 2017 the Foundation will work with Lloyds Banking Group plc to engage its employees in meeting each charity's requirements.

Matched Giving – charities supported by the fundraising and volunteering efforts of Lloyds Banking Group plc employees shared over £909,000 in 2016. With thousands of Lloyds Banking Group plc 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 2016, the Group's Charity of the Year, BBC Children in Need, received £205,931 from the Bank of Scotland Foundation as a result of 611 employee applications, with employees undertaking a variety of fundraising activities throughout the year. Overall, over 2,400 applications were received for Matched Giving in 2016 and the top 10 charities who received funding were:

Charity	Amount (£)
BBC Children in Need (Lloyds Banking Group Charity of the Year)	205,931
MacMillan Cancer Support	33,682
Cancer Research	33,018
Sick Kids Friends Foundation	19,914
Children's Hospice Association Scotland	18,913
Marie Curie	14,680
Inverkeithing Hillfield Swifts	12,854
CLIC Sargent	11,735
Highland Hospice	11,692
Spina Bifida Hydrocephalus Scotland	11,560

Trustees' Report (continued)

Funding and Investment

The Foundation is a registered charity and is funded by Lloyds Banking Group plc.

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

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

Financial Review

In 2016, the Foundation received a donation of £2,116,860 from Lloyds Banking Group plc. During the year £2,335,339 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 2016 has been another successful year.

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.

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 2016 the Foundation held £453,802 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 Lloyds Banking Group plc's employees. This is made possible by the continuing support of Lloyds Banking Group plc through its annual donation of £2,000,000 in 2017 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 2017.

In addition, the Foundation will be engaging with Lloyds Banking Group plc in 2017 to plan the roll-out of an Enhance Programme that will see some of Lloyds Banking Group plc's employees in Scotland paired with charities in receipt of a Foundation grant to provide skills-based mentoring support. Through this programme, we will be looking to strengthen the effectiveness, build the robustness, and improve the sustainability of the charities we fund across Scotland.

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.

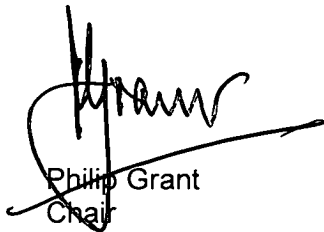
Trustees' Report (continued)

Disclosure of information to auditors

The Trustees who held office at the date of approval of this Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Foundation's auditors are unaware; and each Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

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
19 May 2017

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.

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

Report on the financial statements

Our 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 2016 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; 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).
-

What we have audited

The financial statements, included within the Financial Statements for the year end 31 December 2016 (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the statement of financial activities, which incorporates the income and expenditure account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is 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).

In applying the financial reporting framework, the Trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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 accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Financial Statements for the year ended 31 December 2016

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

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Trustees' remuneration specified by law are not made. 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 11, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

What an audit of financial statements involves (continued)

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Sheila Fazal (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

19 May 2017

- (a) The maintenance and integrity of the Bank of Scotland Foundation website is the responsibility of the Trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) 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 2016

Audited Financial Statements

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

For the year ended 31 December 2016

	Note	Unrestricted Funds 2016 £	Total 2016 £	Total 2015 £
Income and endowments from:				
Donations and legacies	2.14	2,116,900	2,116,900	2,098,515
Investments		10,442	10,442	9,002
Other income	2.15	240,702	240,702	239,782
Total income		2,368,044	2,368,044	2,347,299
Expenditure on:				
Charitable Activities	3	2,518,280	2,518,280	2,191,362
Other expenditure	4	55,515	55,515	48,012
Total expenditure		2,573,795	2,573,795	2,239,374
Net movement in funds / net (expenditure) income for the year		(205,751)	(205,751)	107,925
Total funds brought forward		659,553	659,553	551,628
Total funds carried forward		453,802	453,802	659,553

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.

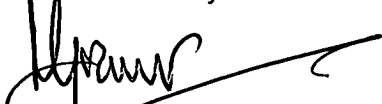
Financial Statements for the year ended 31 December 2016

BALANCE SHEET

As at 31 December 2016

	Note	2016 £	2015 £
Current Assets			
Cash at Bank and in hand		<u>709,649</u>	<u>904,672</u>
TOTAL CURRENT ASSETS		<u>709,649</u>	<u>904,672</u>
Creditors: amounts falling due within one year	6	<u>(255,847)</u>	<u>(245,119)</u>
NET CURRENT ASSETS		<u>453,802</u>	<u>659,553</u>
NET ASSETS		<u><u>453,802</u></u>	<u><u>659,553</u></u>
The funds of the charity:			
Unrestricted funds		<u>453,802</u>	<u>659,553</u>
Total Charity Funds		<u><u>453,802</u></u>	<u><u>659,553</u></u>

The financial statements were approved by the Board of Trustees on 19 May 2017 and signed on its behalf by:


Philip Grant, Chair of Bank of Scotland Foundation


Robin Bulloch, 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 2016

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 £	2015 £
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)	(205,751)	107,925
Interest from investments	(10,442)	(9,002)
Increase in creditors	10,728	75,436
Net cash (outflow) / inflow provided by operating activities	<u>(205,465)</u>	<u>174,359</u>
Cash flows from investing activities:		
Interest from investments	10,442	9,002
(Decrease) / Increase in cash	<u>(195,023)</u>	<u>183,361</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 December 2016

	2016 £	2015 £
(Decrease) / Increase in cash in year	(195,023)	183,361
Net funds at 1 January	<u>904,672</u>	<u>721,311</u>
Net funds at 31 December	<u><u>709,649</u></u>	<u><u>904,672</u></u>

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

Financial Statements for the year ended 31 December 2016

Notes to the financial statements for the year ended 31 December 2016

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 2016 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.

2.2 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 2017 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.

2.3 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 2016

Notes to the financial statements for the year ended 31 December 2016 (continued)

2.1 Accounting policies (continued)

2.4 Donations and legacies

All income is recognised in the SOFA 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 on an honorary basis for the 2016 financial statements. The value of the audit of £8,515 has been included in the 2016 financial statements as a donated receipt within Donations and legacies income and as a donated service within Other expenditure.

2.5 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 2016 £	Total 2015 £
Developing & Improving Local Communities	109,680	26,943	136,623	183,140
Money Advice	38,986	9,578	48,564	17,145
Corporate Governance	42,603	12,912	55,515	39,497
	<u>191,269</u>	<u>49,433</u>	<u>240,702</u>	<u>239,782</u>

* Staff costs

	£
Salaries	133,027
Social security costs	16,311
Pensions	25,974
Other staff costs	15,957
Total	<u>191,269</u>

2.6 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 2016

Notes to the financial statements for the year ended 31 December 2016 (continued)

2.6 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.

2.7 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.

2.8 Taxation

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

2.9 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 2016 £	Total 2015 £
Developing and improving local communities	806,575	908,397	145,138	1,860,110	2,003,180
Money advice and financial literacy	609,606	-	48,564	658,170	188,182
	<u>1,416,181</u>	<u>908,397</u>	<u>193,702</u>	<u>2,518,280</u>	<u>2,191,362</u>

During 2016 the Foundation made 96 grants to developing and improving local communities ranging from £1,000 to £69,983 and 22 grants to money advice and financial literacy causes ranging from £3,159 to £99,895.

Financial Statements for the year ended 31 December 2016

Notes to the financial statements for the year ended 31 December 2016 (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 three employees of Lloyds Banking Group plc who carried out certain administrative duties of the Foundation during the year. Two of these employees received employee benefits (excluding employer pension costs) between £60,000 and £70,000.

The Foundation did not have any employees during the year (2015: nil).

3a. Reconciliation of Grants Payable

	2016 £	2015 £
Grants awarded in the year	1,426,181	1,195,023
Grants returned	(10,000)	(4,997)
	<u>1,416,181</u>	<u>1,190,026</u>

3b. Reconciliation of Matched Giving Payable

	2016 £	2015 £
Matched Giving awarded in the year	909,158	815,085
Matched Giving cancelled	(761)	(7,011)
	<u>908,397</u>	<u>808,074</u>

4. Other expenditure

	2016 £	2015 £
Staff Costs	42,603	36,374
Auditor's remuneration	8,515	8,515
Legal Fees	4,397	3,123
	<u>55,515</u>	<u>48,012</u>

5. Trustees' expenses

No Trustees received remuneration or accommodation expenses during the year from the Foundation. Reimbursed expenditure of £81 was made to one Trustee in relation to travel expenses during the year (2015: £46 to one Trustee for travel expenses).

Financial Statements for the year ended 31 December 2016

Notes to the financial statements for the year ended 31 December 2016 (continued)

6. Creditors: amounts falling due within one year

	2016	2015
	£	£
Grants payable	255,847	245,119
	<u>255,847</u>	<u>245,119</u>

Grants payable relate to applications received for colleague Matched Giving prior to 31 December 2016 that had not been paid at the year-end (£80,742) and the second year instalments for 2016 Large Grant beneficiaries (£175,105).

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 (2015: £2,000,000) under the terms of the funding covenant and a further donation of £108,345 (2015: £90,000) in the year. Lloyds Banking Group plc also paid costs of £240,702 (2015: £239,782) on behalf of the Foundation. These costs have been paid in accordance with the terms of the funding covenant.

The costs of £240,702 includes £191,269 (2015: £169,120) for three staff members who work for the Foundation but are employed by Lloyds Banking Group plc.

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 2016 a balance of £709,649 (2015 - £904,672) was held at Bank of Scotland plc and received interest of £10,442 (2015 - £9,002) 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 2016

Notes to the financial statements for the year ended 31 December 2016 (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 2016. No grants to individuals were approved in the year.

Small Grants	£
3TFM Community Radio	1,000
Knockando Athletics Group	1,277
Thornhill Playgroup & Toddlers	1,500
Forth Valley University of the Third Age	1,500
Networks of Wellbeing	2,160
Deaf Action	2,250
Daisy Drop In	2,250
Muirhouse Youth Development Group	2,261
Urban Roots	2,500
Pathhead Youth Project	2,500
Glasgow Life	2,650
Back Football and Recreation Club	2,725
Special Needs Adventure Playground	2,900
PHysical	3,000
Midlothian Association of Play	3,000
St Margaret of Scotland Hospice	3,000
No. 480 Campbeltown Sea Cadet Unit	3,000
Glasgow East Arts Company	3,000
Royston Youth Action	3,000
People First Fraserburgh	3,159
The Preshal Trust	3,278
Fife Young Carers	3,298
Toward & Loch Striven Memorial Hall	3,321
Drake Music Scotland	3,375
Home-Start East Fife	3,500
Visualise Scotland	3,500
Carers of West Dunbartonshire	3,600
Burntisland Playgroup	3,636
Scottish Chamber Orchestra	3,700
Positive Help	4,000
Forrester React 2 Rugby Trust	4,000
Financial Fitness	4,000
Stirling Family Support Services	4,400
The Green Team (Edinburgh & Lothians) Ltd	4,536
Islay & Jura Community Enterprises Limited	4,560
Taymara	4,890
Above Adventure	4,965
Bill Russell Woodburn Youth Project	4,975
Project Ability	5,000
Govan Youth Information Project (GYIP)	5,000

Financial Statements for the year ended 31 December 2016

Notes to the financial statements for the year ended 31 December 2016 (continued)

9. Analysis of charitable expenditure (continued)

Small Grants (continued)	£
ACE Cornton	5,000
The Eric Liddell Centre	5,000
The Broomhouse Centre	5,000
Macular Society	5,000
Dunoon Link Club SCIO	5,000
Maggie Keswick Jencks Cancer Caring Centres Trust	5,000
Rainbow Care Centre	5,000
Lomond Mountain Rescue Team	5,000
Bowel Cancer UK	5,000
East Kilbride & District Dementia Carers Group	5,000
Perfect Harmony SCIO	5,000
Pilton Community Health Project	5,251
Moray Fresh Start	5,588
Borders Water Rescue Team	5,600
Positive Action in Housing	5,800
The Abbotsford Trust	5,800
AMS	5,887
Changes Community Health Project	6,032
Langholm Playcare Ltd	7,000
Child Brain Injury Trust	7,000
C.A.B.I.A	7,410
Falkirk & District Association for Mental Health	7,500
Options in Life	7,500
Scottish Waterways Trust	7,521
Johnstone Castle Learning Centre	7,578
Columba 1400	8,000
Bield Housing & Care	8,259
Lodging House Mission	8,510
Revive MS Support	8,580
Break The Silence	8,640
PLUS (Forth Valley) Ltd	8,940
Junction 12 (J12)	9,000
The Wynd Centre	9,000
Hawick Community Cafe	9,000
Glasgow East End Community Carers Ltd	9,686
Dumfries and Galloway Befriending Project (DGBP)	10,000
Cumbernauld & Kilsyth Unemployed Workers Centre	10,000
The PBC Foundation	10,000
Clydesdale CAB	10,000
Scottish Cot Death Trust	10,000
Total Small Grants	414,248

Financial Statements for the year ended 31 December 2016

Notes to the financial statements for the year ended 31 December 2016 (continued)

£

9. Analysis of charitable expenditure (continued)

Medium Grants

Baillieston Community Care	10,584
South Ayrshire Foodbank	11,365
Positive Action in Housing (PAiH)	12,000
Citizens Advice Edinburgh (CAE)	12,250
Govanhill Baths Community Trust	12,330
Queensferry Care	12,500
Kincardine & Deeside Befriending	12,500
South Glasgow Childcare Partnership Forum	12,500
Stable Life	12,500
Cowal Elderly Befrienders SCIO	12,703
Hot Chocolate Trust	12,750
The Village Centre	12,762
Parkhead Citizens Advice Bureau	13,000
The Haven	13,936
Motherwell Football Club Community Trust	14,400
Govan Home & Education Link Project	14,700
Orkney Alcohol Counselling & Advisory Service	14,881
Edinburgh Community Food	14,950
Indepen-dance (Scotland) Ltd.	15,000
RAMH - recovery across mental health	15,000
The Tree Club	17,624
Outside the Box Development Support	18,270
North East Edinburgh Counselling Service	19,040
Glasgow Old People's Welfare Association	20,439
Open Secret	21,860
Granton Youth Centre	22,500
Motherwell & Wishaw CAB	24,067
Cyrenians	24,407
Liber8 (Lanarkshire) Ltd	24,700
Home-Start Glasgow North	24,951
Stirling District Citizens Advice Bureau Ltd	24,999
Barmulloch Community Development Company	25,000
Total Medium Grants	530,468

Large Grants

£

Cancer Support Scotland	60,000
Inverness Badenoch and Strathspey Citizens Advice Bureau	68,639
New Start Highland	69,983
Spina Bifida Hydrocephalus Scotland	83,390
Airdrie Citizens Advice Bureau	99,558
Changeworks	99,895
Total Large Grants	481,465