

Financial Statements for the year ended 31 December 2019



Financial Statements for the  
year  
ended 31 December 2019

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

## Financial Statements for the year ended 31 December 2019

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## Financial Statements for the year ended 31 December 2019

### Review of 2019 by the Chair

In my fourth year as Chair, I am delighted to report that 2019 has been an exciting and significant moment in the history of Bank of Scotland Foundation (“the Foundation”). Firstly, we have achieved the milestone of providing over £15m of funding to Scottish charities through our programmes, which has enabled over 600,000 people to benefit from a variety of much needed local services and personal support.

Secondly, this year the Foundation reached a new funding covenant with our sole funder, Lloyds Banking Group (“the Group”), which saw our annual funding increase from £2m to £5m in 2019. To ensure this funding can be distributed to Scotland’s charities effectively and efficiently, we took the opportunity to rethink our approach to how we invest and become a more flexible grant maker by tailoring a range of new funding programmes to the needs of those we support.

As a result, accumulating our [old and new] funding programmes, Matched Giving and December Donations, I am delighted that Scotland’s charities benefitted from £3,514,903 in 2019.

In the first four months of the year over £200,000 was distributed to 34 charities through our Small Grants Programme, providing a strong community impact and making a tangible difference to the charities and the people they supported. The Medium Grants programme helped address areas such as debt management, increased community engagement and job creation in some of Scotland’s most deprived areas by awarding in excess of £460,000 to 26 charities across Scotland. Our Small and Medium programmes both closed in April 2019 to allow the team to develop our new funding programmes and prepare for their launch.

Following the high demand of 2018’s Mental Health Fund, we were fortunate enough to offer this for a second year. I am delighted that 20 charities working specifically in the mental health area or delivering mental health projects were able to share £260,000 of funding through this programme.

The first programme from the Foundation’s new five-year strategy, Supporting Positive Change Across Scotland, was launched in August (Reach) and the second (Change) in September and we are delighted to include these in our new grants giving portfolio. The first tranche of Reach saw over £600,000 shared amongst 53 charities to support people through varying stages of their lives, while over £1.2m was distributed through Change to 9 charities, providing sustainable funding for up to two years.

Once more, I am proud that our Matched Giving Programme was able to support the fundraising and volunteering efforts of Lloyds Banking Group colleagues with almost 1,800 applications approved in 2019. Over 500 charities across Scotland shared £674,381 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 which were personal to them for a variety of reasons.

Over the course of 2019, our Enhance Mentoring Programme continued to offer long-term strategic support for charities. At the end of December, 28 charities were being mentored by colleagues from the Group, 7 of which, due to the location of the charity, are remote mentoring partnerships. The success of this programme is thanks to the

## Financial Statements for the year ended 31 December 2019

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.

I am hugely grateful to our sole funder, Lloyds Banking Group, for their continued support and am especially thankful for our new funding covenant which saw this year's donation increase to almost £5,000,000. Their support has enabled us to create an ambitious new five-year strategic plan, 'Supporting Positive Change Across Scotland', and target our funding in a way that will help us to provide people with opportunity and equality and make positive, sustainable change.

2019 was a transformational, pivotal year for us and we looked forward to continuing to support charities across Scotland, however in early 2020, the world changed with Covid-19 having 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 of 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 can 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 aims to bring stability to charities over the challenging months ahead and help them meet the immediate and longer term needs of some of Scotland's most vulnerable people.

My thanks to the Trustees and Jillian and her team for ensuring we transitioned smoothly from our existing programmes to our new programmes and for our swift response to Covid-19, all while maintaining the Foundation's high standards. It is an honour to hold the role of Chairman and I am very proud of the work that we do.



8 July 2020  
Philip Grant  
Chair

## Financial Statements for the year ended 31 December 2019

### 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)  
Sarah Deas  
Martin Fleming  
Paul Grice  
Graham Blair (appointed 1 October 2019)  
Tara Foley (appointed 1 October 2019)  
Alison Macdonald (appointed 1 October 2019)  
Graeme Thompson (appointed 1 October 2019)  
Karen Watt (appointed 1 October 2019)  
Robin Bulloch (resigned 31 July 2019)  
Donald Gateley (resigned 31 May 2019)

**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

## Financial Statements for the year ended 31 December 2019

### 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, Managing Director, Group Sustainable Business, who reports into the Chief of Staff in the Group Chief Executive's Office of Lloyds Banking Group plc (the "Group").

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

The Trustees have an agreed Investment Policy and Reserves Policy.

##### Trustees

The Trustees who served during the year and up to the date of signing the financial statements are listed on page 5. Each Trustee with the exception of Sarah Deas, Paul Grice, 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.

## Financial Statements for the year ended 31 December 2019

### 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 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 launch of the Foundations five year strategic plan "Supporting Positive Change Across Scotland" saw the Foundation's existing grants programmes come to an end in 2019 and new grants programmes launched to meet the needs of charities:

**Small Grants** – this programme accepted applications of between £1,000 and £10,000 from charities registered in Scotland that met the funding criteria of the Foundation and closed in April 2019.

Through our Small Grants Programme we made grants that had a strong community impact and made a tangible difference to the charities and the people they supported. In addition, the Small Grants Programme aims were to reach as many communities as possible across Scotland to make a positive and lasting change.

We distributed over £200,000 through our Small Grants Programme to 34 charities across Scotland in 2019. Applications were received from charities addressing a variety of issues such as homelessness, unemployment and isolation. In an increasingly challenging funding environment, our core funding provides stability for many charities.

**Medium Grants** – this programme accepted applications of between £10,001 and £25,000 from charities registered in Scotland that met the funding criteria of the Foundation and closed in April 2019.

## Financial Statements for the year ended 31 December 2019

### Trustees' Report (continued)

The Medium Grants Programme provided funding for projects that had a large-scale, long-term, positive impact on charities and communities and supported charities that worked with people who were excluded or disadvantaged in society.

We distributed in excess of £460,000 through our Medium Grants programme to 26 charities in 2019 and addressed areas such as debt management, increased community engagement and job creation in some of Scotland's most deprived areas.

**Mental Health Fund** - in 2019 we delivered a further themed grant programme focussing on Mental Health. This was due to the demand following the 2018 programme. This stand-alone programme accepted applications of between £1,000 and £25,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

We distributed over £260,000 through this programme to 20 charities working specifically in the mental health area or delivering mental health projects.

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

The Reach Grants Programme is a quarterly programme that provides funding for charities with an income of £1m or less and aims to make positive and lasting change in communities across Scotland. We are delighted to be able to add this programme to our new grants giving portfolio to enable charities to support people through varying stages of their lives.

We distributed over £600,000 through the first tranche of this programme to 53 charities across Scotland in 2019.

**Change Grants** – this programme launched in September 2019 and accepts applications of between £50,000 and £100,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

The Change Grants Programme is an annual programme that provides funding for up to two years and will have a large scale, long term impact on charities and the communities that they serve. Charities with an income level of over £500k can apply to this programme.

We distributed over £1.2m through this programme to nine charities across Scotland in 2019. Almost £265k of this funding was provided to charities that specifically address financial literacy and financial inclusion.

**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 2019, 28 charities are matched to a Lloyds Banking Group colleague.



## Financial Statements for the year ended 31 December 2019

**Trustees' Report (continued)**

**Matched Giving** – charities supported by the fundraising and volunteering efforts of the Group colleagues shared over £674,000 in 2019. With over 13,000 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 2019, the Group's Charity of the Year, Mental Health UK, was awarded £87,113 from the Foundation as a result of 300 employee applications, with colleagues undertaking a variety of fundraising activities throughout the year including cake sales, abseils and quiz nights. Overall, almost 1,800 applications were received for Matched Giving in 2019 and the top 10 charities who received funding were:

<b>Charity</b>	<b>Amount (£)</b>
Mental Health UK (Lloyds Banking Group Charity of the Year)	87,113
Macmillan Cancer Support	33,815
Cancer Research UK	12,027
Edinburgh Children's Hospital Charity	11,994
Guide Dogs for the Blind	11,107
Spina Bifida, Hydrocephalus Scotland	9,901
Alzheimer Scotland	8,972
Bayside Football Club	8,620
Sands	8,556
Debra	8,500

**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 2019.

In February 2019 the Foundation entered into a new funding covenant with the Group, where each year, the Foundation is to receive 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. Under this new covenant the Foundation now covers its own administrative and promotional costs.

**Financial Review**

In 2019, the Foundation received a donation of £5,014,584 from the Group, £4,913,326 under the terms of the funding covenant and £101,258 in additional donations.

During the year £3,514,903 was awarded to charities working in Scotland via the Small Grants Programme, Medium Grants Programme, Change Grants Programme, Mental Health Fund, Reach Grants Programme, December Donations and Matched Giving Programme.

The Trustees are of the opinion that 2019 has been another great year for the Foundation.

## Financial Statements for the year ended 31 December 2019

### 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 2019 the Foundation held £1,955,572 in unrestricted funds reserves (equal to total free reserves).

The Foundation held free reserves to cover current programme funding 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

The Foundation plans to continue to award grants to charities working across Scotland through its Grant Programmes and provide Matched Giving to charities supported by the Group's colleagues. This is made possible only by the continuing support of the Group through its annual donation which we are delighted to announce was £4,972,472 and was received in March 2020 as part of its commitment to Helping Scotland Prosper.

## Financial Statements for the year ended 31 December 2019

### Trustees' Report (continued)

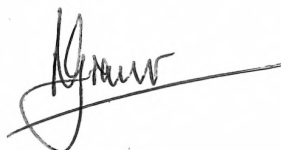
The Trustees were pleased with the continuing success of the Foundation's Grants Programmes in 2019, and look forward to the launch of two new funding programmes in 2020 to ensure that the increased funding can be distributed effectively and efficiently. In particular the new Invest Grant Programme will provide sustainable funding of up to £40,000 per annum up to a period of five years.

### Independent auditors

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

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

On behalf of the Trustees



Philip Grant  
Chair  
Bank of Scotland Foundation  
8 July 2020

## Financial Statements for the year ended 31 December 2019

### Statement of Trustees' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Account and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state that applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

In so far as the Trustees are aware:

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

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

## Financial Statements for the year ended 31 December 2019

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

#### **Report on the audit of the financial statements**

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##### **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 2019 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 2019 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; 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.

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##### **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.

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##### **Conclusions relating to going concern**

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

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

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

## Financial Statements for the year ended 31 December 2019

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### Reporting on other information

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

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

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

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

### Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report, 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.

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### 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 set out on page 12, 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.

## Financial Statements for the year ended 31 December 2019

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

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

### Use of this report

This report, including the opinions, has been prepared for and only for the charity's members and trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and regulations made under those Acts (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (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.

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### Other required reporting

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#### 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.

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### Entitlement to exemptions

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



Mark Hoskyns-Abraham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
8 July 2020

## Financial Statements for the year ended 31 December 2019

**Audited Financial Statements****STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income & Expenditure Account)**

For the year ended 31 December 2019

	Note	Unrestricted Funds 2019 £	Total 2019 £	Total 2018 £
<b>Income and endowments from:</b>				
Donations and legacies	2.1.4	5,014,584	5,014,584	2,434,390
Investments		24,735	24,735	6,921
Other income	2.1.5	294,138	294,138	369,285
<b>Total income</b>		<b>5,333,457</b>	<b>5,333,457</b>	<b>2,810,596</b>
<b>Expenditure on:</b>				
Charitable Activities	3	3,824,017	3,824,017	2,661,227
Other expenditure	4	65,549	65,549	65,976
<b>Total expenditure</b>		<b>3,889,566</b>	<b>3,889,566</b>	<b>2,727,203</b>
<b>Net movement in funds / net income / (expenditure) for the year</b>		<b>1,443,891</b>	<b>1,443,891</b>	<b>83,393</b>
<b>Total funds brought forward</b>		<b>511,680</b>	<b>511,680</b>	<b>428,287</b>
<b>Total funds carried forward</b>		<b>1,955,571</b>	<b>1,955,571</b>	<b>511,680</b>

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 19 to 24 form part of these financial statements.



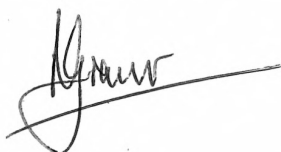
## Financial Statements for the year ended 31 December 2019

**BALANCE SHEET**

As at 31 December 2019

	Note	2019 £	2018 £
<b>Current Assets</b>			
Cash at Bank and in hand		<u>2,614,935</u>	<u>856,956</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,614,935</u>	<u>856,956</u>
Creditors: amounts falling due within one year	6	<u>(659,364)</u>	<u>(345,276)</u>
<b>NET CURRENT ASSETS</b>		1,955,571	511,680
<b>NET ASSETS</b>		<u>1,955,571</u>	<u>511,680</u>
<b>The funds of the charity:</b>			
Unrestricted funds		<u>1,955,571</u>	<u>511,680</u>
<b>Total Charity Funds</b>		<u>1,955,571</u>	<u>511,680</u>

The financial statements were approved by the Board of Trustees on 8 July 2020 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 19 to 24 form part of these financial statements.

**A Company Limited by Guarantee Registered in Scotland Number SC229825**

## Financial Statements for the year ended 31 December 2019

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2019

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Reconciliation of net income to net cash flow from operating activities</b>		
Net income/(outgoings) for the reporting period (as per the statement of financial activities)	1,443,891	83,393
Interest from investments	(24,735)	(6,921)
Increase in creditors	314,088	57,148
<b>Net cash inflow / (outflow) provided by operating activities</b>	<u>1,733,244</u>	<u>133,620</u>
<b>Cash flows from investing activities:</b>		
Interest from investments	24,735	6,921
<b>Increase / (Decrease) in cash</b>	<u><u>1,757,979</u></u>	<u><u>140,541</u></u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

For the year ended 31 December 2019

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Increase / (Decrease) in cash in year	1,757,979	140,541
Net funds at 1 January	<u>856,956</u>	<u>716,415</u>
Net funds at 31 December	<u><u>2,614,935</u></u>	<u><u>856,956</u></u>

The notes on pages 19 to 24 form part of these financial statements.

## Financial Statements for the year ended 31 December 2019

### Notes to the financial statements for the year ended 31 December 2019

#### 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 2019 there were nine 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 also 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 2020 and beyond and based on discussions with Lloyds Banking Group plc, who provide funding to the Foundation and 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 £4,913,326 under the terms of the funding covenant with Lloyds Banking Group and a further donation of £97,300 in the year from Lloyds Banking Group. The Foundation also received an additional donation of £3,958.

## Financial Statements for the year ended 31 December 2019

**Notes to the financial statements for the year ended 31 December 2019  
(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.

	<b>Staff Costs</b>	<b>Office Costs</b>	<b>Total 2019</b>	<b>Total 2018</b>
	£	£	£	£
Developing & Improving Local Communities	203,720	-	203,720	249,739
Money Advice	33,188	-	33,188	45,070
Corporate Governance	48,630	8,600	57,230	65,976
	<u>285,538</u>	<u>8,600</u>	<u>294,138</u>	<u>360,785</u>

**\* Staff costs**

	<b>2019</b>	<b>2018</b>
	£	£
Salaries	179,943	172,733
Social security costs	25,149	24,587
Pensions	40,075	35,864
Other staff costs	40,371	47,627
Total	<u>285,538</u>	<u>280,811</u>

The auditors are appointed for the 2019 financial statements, and audit fee is paid for by Lloyds Banking Group. The value of the audit of £8,600 has been included in the 2019 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.

## Financial Statements for the year ended 31 December 2019

**Notes to the financial statements for the year ended 31 December 2019  
(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 2019 £	Total 2018 £
Developing and improving local communities	2,276,967	670,682	340,061	2,774,227	2,255,681
Money advice and financial literacy	484,602	-	51,705	1,049,790	405,546
	<u>2,761,569</u>	<u>670,682</u>	<u>391,766</u>	<u>3,824,017</u>	<u>2,661,227</u>

During 2019 the Foundation made 125 grants to developing and improving local communities ranging from £1,500 to £200,000 and 17 grants to money advice and financial literacy causes ranging from £4,300 to £153,612. Also included under developing and improving local communities support costs were December donations to 14 charities, representing an overall total of £27,000.

## Financial Statements for the year ended 31 December 2019

**Notes to the financial statements for the year ended 31 December 2019  
(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. Two of these colleagues received employee benefits (excluding employer pension costs) between £60,000 and £70,000.

The Foundation did not have any colleagues during the year (2018: nil).

**3a. Reconciliation of Grants Payable**

	2019 £	2018 £
Grants awarded in the year	2,813,522	1,675,557
Grants returned	(51,953)	(53,396)
	<u>2,761,569</u>	<u>1,622,161</u>

**3b. Reconciliation of Matched Giving Payable**

	2019 £	2018 £
Matched Giving awarded in the year	674,382	741,472
Matched Giving cancelled	(3,700)	(5,715)
	<u>670,682</u>	<u>735,757</u>

**4. Other expenditure**

	2019 £	2018 £
Staff Costs	48,630	47,816
Auditor's remuneration	8,600	8,500
Legal Fees	8,319	9,660
	<u>65,549</u>	<u>65,976</u>

**5. Trustees' expenses**

No Trustees received remuneration or accommodation expenses during the year from the Foundation. Reimbursed expenditure of £322 in total was made to two Trustees in relation to travel expenses during the year. (2018: £25 to one Trustee for travel expenses).

## Financial Statements for the year ended 31 December 2019

**Notes to the financial statements for the year ended 31 December 2019  
(continued)****6. Creditors: amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Grants payable	657,737	345,276
Accruals	1,627	-
	<u>659,364</u>	<u>345,276</u>

Grants payable relate to applications received for colleague Matched Giving prior to 31 December 2019 that had not been paid at the year-end (£64,047) and the second year instalments for 2019 Change Grant beneficiaries (£593,689).

**7. Related party transactions**

The Foundation is related to and derives its revenue solely from Lloyds Banking Group plc. In February 2019 the Foundation entered into a funding covenant with Lloyds Banking Group plc, where each year, the Foundation is to receive 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 formulae resulted in the annual donation for 2020 being £4,972,472.

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 £4,913,326 (2018: £2,000,000) under the terms of the funding covenant and a further donation of £97,300 (2018: £434,390) in the year. Lloyds Banking Group plc also paid costs of £294,138 (2018: £369,285) on behalf of the Foundation. These costs have been paid in accordance with the terms of the funding covenant.

The costs of £294,138 includes £285,538 (2018: £280,811) for five staff members who work for the Foundation but are employed by Lloyds Banking Group plc, and the audit fee of £8,600 (2018 £8,500).

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

At 31 December 2019 a balance of £2,614,935 (2018 - £856,956) was held at Bank of Scotland plc. The Foundation also received interest of £24,735 (2018 - £6,921) 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 2019

**Notes to the financial statements for the year ended 31 December 2019  
(continued)****9. 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 2019. A full list of all grants awarded in 2019 is available on our website [www.bankofscotlandfoundation.org](http://www.bankofscotlandfoundation.org). No grants to individuals were approved in the year.

<b>Grants over £20,000</b>	<b>£</b>
Interloch Transport	20,000
ENABLE Scotland	20,000
Waverley Care	20,000
Tannochside Information & Advice Centre	20,000
Govan Community Project	20,000
Home-Start Glasgow North	20,200
Action for Children	21,800
Muscular Dystrophy UK	22,400
Polish Family Support Centre	22,940
RAMH	23,961
Turriff & District CAB	24,308
Housing Options Scotland	24,743
Glasgow Council on Alcohol	24,950
Cumbernauld & Kilsyth Unemployed Workers Centre	25,000
Saje Scotland Limited	25,000
Forres Area Community Trust (FACT)	25,000
Simon Community Scotland	97,866
Scottish Sports Futures	106,603
Epilepsy Action Scotland	110,691
Aberdeen Cyrenians	125,000
Fife Intensive Rehabilitation and Substance Misuse Team	144,088
Glasgow Women's Aid	153,157
Motherwell & Wishaw Citizens Advice Bureau	153,612
Sistema Scotland	184,056
Beatson Cancer Charity	200,000
<b>Total Grants over £20,000</b>	<b>1,635,375</b>