



Financial Statements for the year ended 31 December 2021

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

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Review of 2021 by the Chair

2021 continued to be one of the most challenging years faced by Bank of Scotland Foundation and the communities we serve. To support charities as they eased out of the constraints of the pandemic, we distributed £5m through our Grants Programmes and Matched Giving Programme helping to ensure some of Scotland's most vulnerable people could continue to access a range of vital services and personal support.

Throughout 2021, our focus was on a grants programme strategy that would help Scotland recover from the pandemic. Through our Reach Grants Programme, 146 charities shared over £1.9m addressing areas such as poor mental health, food and fuel poverty, social isolation and unemployment.

Due to the significant financial impact that Covid-19 had on people across Scotland, the theme of this year's multi-year Invest Grants Programme was Financial Vulnerability. The programme supported charities that were helping vulnerable people to manage various financial issues, including people who were already facing significant difficulties with their finances before the pandemic, and those who were accessing charity support services for the first time as a direct result of the pandemic. Eleven charities shared £1,446,155 over a period of 3-5 years.

For the first time, charities were able to apply for unrestricted funding through our Change Grants programme, providing them with greater flexibility over how they use their resources and allowing them to respond quickly to a changing environment. In total, eleven charities shared £1,349,510 over one to two years.

Our Matched Giving programme continues to be a valuable source of income for charities. Although the fundraising and volunteering efforts of Lloyds Banking Group employees were significantly impacted by the pandemic, the Foundation received 700 claims in 2021, which resulted in £272,895 being shared with over 252 charities as Group colleagues found new and innovative ways to support charities.

Our Charity Mentoring programme continued throughout lockdown, with the Lloyds Banking Group colleagues and the charities they help moving to remote mentoring until such time that restrictions eased and face-to-face meetings could take place again. As at the end of 2021, a total of 65 Foundation funded charities have been matched to a Lloyds Banking Group colleague mentor.

In May, we hosted an Online Event to give charities and third sector leaders the opportunity to share the innovative ways they have overcome challenges, adapted services and built resilience throughout the pandemic. The conversation was both reflective and forward thinking, looking back over the last twelve months but also looking at ways the third sector can continue to transform services for example using digital tools to break down barriers and improve accessibility. The key take-away and most common piece of advice that emerged was the importance of embracing new thinking and means of engagement and focusing energy on maintaining core services as well as addressing emerging challenges for the most vulnerable which the broader impacts of the pandemic has introduced. We thank everyone for joining us and helping shape our future thinking.

Review of 2021 by the chair (continued)

In June we were excited to announce a new collaboration with the Bank of Scotland Academy, which provides further opportunity for us to offer charities support beyond funding alone. The Academy offers charities a huge variety of free online lessons and webinars in digital, life and work skills and is an exciting opportunity for us to help charities and their beneficiaries develop and improve.

In my first year as Chair, I must recognise the outstanding commitment shown by the Board of Trustees and the Foundation team in 2021, and indeed throughout Philip Grant's tenure as Chair. Under Philip's leadership, significant progress has been made in the last six years as the Foundation has grown and continued to deliver a positive impact to communities across Scotland.

I would like to extend my thanks to Philip for his warm welcome and I have no doubt that the breadth and experience of the current Trustees and team will ensure the Foundation continues to flourish.

Lloyds Banking Group has confirmed that its annual donation will be £3.9 million in 2022 which we are extremely grateful for. Funding, as well as strategic support, will be as crucial as ever for charities as they look to rebuild after the impact of the pandemic and we face into the economic headwinds that will again disproportionately impact the most vulnerable in society. The Foundation team will remain focused on finding innovative ways to address these challenges to provide the best possible support to our communities.



13 July 2022
Donald MacKechnie
Chair

Reference and Administrative Information

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

Donald MacKechnie (Chair appointed 2 February 2022)
Laura Armstrong (appointed 22 April 2022)
Graham Blair
Martin Fleming (resigned 25 May 2021)
Philip Grant (ex- chair resigned 5 May 2022)
Jackie Leiper (appointed 26 November 2021)
Alison Macdonald
Ken Macintosh (appointed 26 November 2021)
Julianne Reddin (appointed 26 November 2021)
Graeme Thompson
Karen Watt

Company Secretary: Lindsays LLP (appointed 23 April 2021)
Caledonian Exchange
19a Canning Street
Edinburgh
EH3 8HE

Ryan Beattie (resigned 23 April 2021)

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

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

Independent Auditors: Deloitte LLP
1 City Square
Leeds
LS1 2AL

Registered Office: The Mound
Edinburgh
EH1 1YZ

Registered Company No: SC229825 (Company limited by guarantee)

Scottish Charity No: SC032942

Trustees' Report

Structure, Governance and Management

Incorporation

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

Organisation

The Foundation is governed by a Board of Trustees, with Donald MacKechnie as Chair. The day-to-day operations of the Foundation are delegated to Jillian Baillie, Chief Executive of the Foundation and her team. The Chief Executive of the Foundation reports to Fiona Cannon, Group Sustainable Business Director, who reports into the Chief of Staff of the Group.

The Trustees generally meet quarterly, but due to the ongoing Covid-19 pandemic in 2021, the meetings were held more frequently. Meetings are chaired by Donald MacKechnie and are formally minuted. At each meeting of the Foundation, the Trustees determine overall policy, review all donations made since the previous meeting, note financial reports, review the budget position and decide on all grants which are submitted for approval.

The Trustees have an agreed Investment Policy and Reserves Policy.

Risk Policy

The Trustees have examined the major strategic, business, financial 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 key financial risk is that the Foundation may not receive the annual donation from Lloyds Banking Group (the Group) and/or that the funding received could be significantly higher or lower than in previous years. This is mitigated by the terms of the funding covenant which require that the Group provide a three-year notice period before all covenanted donations cease and the inclusion of a floor and ceiling in the covenant for the minimum and maximum amounts that can be donated to the Foundation.

The Trustees review the governance and activities of the Foundation each quarter through the detailed review of a risk matrix and risk register to ensure any risks are identified and that actions can be implemented to mitigate the risks in early course.

Trustees' Report (continued)

Objectives and Activities

The Foundation is established for charitable purposes only and works with charitable organisations across Scotland, supporting people and their local communities.

Foundation activities are centred on three key areas:

- Grants programmes - providing donations to charities across Scotland
- Mentoring programme – offering Foundation funded charities support, advice and motivation through a colleague mentor from the Group
- Matched Giving programme – providing Matched Giving for charities supported by Group employees in Scotland

The Foundation's main strategic objectives are to:

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

Achievements and Performance

Designed to make a genuine, tangible difference to individuals and their communities, the Foundation's five-year strategic plan "Supporting Positive Change Across Scotland" continued to deliver grants programmes designed to meet the needs of charities addressing social exclusion or disadvantage. Our funding enables charities to continue to deliver vital services and projects for some of Scotland's most vulnerable people.

Reach Grants – this programme which launched in August 2019 accepts applications of between £1,000 and £25,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

The Reach Grants Programme provides funding for charities with an income of £1m or less and aims to make positive and lasting change in communities across Scotland. Due to the continuing Covid-19 pandemic this programme was open for five grant application periods in 2021 and we distributed over £1,900,000 to 146 charities across Scotland.

The Reach Grants Programme recognised the continuing impact of Covid-19 and provided flexibility for charities whereby the grant period was extended or the grants awarded were re-purposed.

Trustees' Report (continued)

Invest Grants – the Foundation recognises the significant financial impact that Covid-19 has had on people across Scotland. To ensure Bank of Scotland Foundation funding reached those in real need, the annual Invest Grants Programme, launched in March 2021 had a theme of Financial Vulnerability.

The programme provided funding to charities to help vulnerable people across Scotland manage various financial issues, including those who were already facing significant difficulties with their finances before the pandemic, and those who were accessing charity support services for the first time as a direct result of the pandemic.

Applications were accepted from charities with an annual income of £1m or less. Charities could apply for grants for core costs, capital costs or project costs of £20,000 to £40,000 each year for up to five years.

We distributed over £1,440,000 through this programme to 11 charities across Scotland.

Enhance Mentoring Programme – This programme offers charities in receipt of a Foundation grant the opportunity to be matched with an employee mentor from the Group. Employees provide tailored business support to help strengthen the charities so they can become more sustainable and meet their longer term aims.

As at 31 December 2021, 35 charities continue to be matched to a Lloyds Banking Group employee.

Matched Giving – charities supported by the fundraising and volunteering efforts of the Group's employees in Scotland shared over £270,000 in 2021. Our programme encourages employees to become involved in their community by providing Matched Giving of up to £1,000 per employee per year. In 2021, the Group's Charity of the Year, Mental Health UK, was awarded £35,595 from the Foundation as a result of 114 employee applications, with employees undertaking a variety of fundraising activities throughout the year including virtual quiz nights and sponsored walks.

Overall, 700 applications were received for Matched Giving in 2021 and the top 10 charities who received funding were:

Charity	Amount (£)
Mental Health UK (Lloyds Banking Group Charity of the Year)	35,595
Cancer Research UK	13,502
Maggie's	11,594
Musselburgh Windsor CFC	8,390
Macmillan Cancer Support	7,510
Scottish Assoc for Mental Health	4,502
Marie Curie	4,302
Inverkeithing Hillfield Swifts	4,000
The Lossie 2-3 Group	4,000
Breast Cancer Now	3,653

Trustees' Report (continued)

Funding and Investment

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

The Foundation's funds are directed towards charitable donations with all its staff and office costs borne by the Group in 2021.

The Foundation has a funding covenant with the Group, where each year the Foundation receives 0.1946% of the Lloyds Banking Group's adjusted pre-tax profits averaged over the previous three Accounting Reference periods subject to a minimum amount of £3.9m, and a maximum amount of £9.73m. This funding covenant has been in place since February 2019.

Financial Review

In 2021, the Foundation received a donation of £4,972,609 from the Group under the terms of the funding covenant. A further donation of £8,900 was received from the Group in lieu of a contribution from a filming agency for using one of the Group's properties.

During the year £5,020,678 was awarded to charities working in Scotland via the Reach Grants Programme, Invest Grants Programme, Change Grants Programme, December Donations, Charity Donations and Matched Giving Programme.

The Trustees are of the opinion that 2021 has been another outstanding year for the Foundation during unprecedented times.

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 2021 the Foundation held £2,272,261 in unrestricted funds reserves (equal to total free reserves).

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

Going Concern

The Trustees have considered budget plans and financial outlook of the Bank of Scotland Foundation for at least twelve months from the date of signing.

Based on the funding covenant in place with the Group and discussions with the Group, who also provide staff services, the Trustees have a reasonable expectation that the charity has adequate reserves to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing the financial statements

Directors Indemnity

The Trustees, who are also directors for Companies Act purposes and who served during the year and up to the date of signing the financial statements are listed on page 5. Each Trustee with the exception of Karen Watt, Julianne Reddin, Ken Macintosh 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, which is implemented by the Nominations Committee for all Trustee recruitment and subsequent appointment. 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, and as such undertake to pay £1 to the Foundation's assets in event of the Foundation being wound up.

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)

Plans for Future Years

In February 2021, the Group's annual donation to the Foundation was £4,972,608, the Group having previously advised in May 2020 that the 2021 donation would be kept at the same level as 2020, regardless of the Group's 2020 year-end financial performance. This decision was made in recognition of the additional pressures and challenges that Covid-19 was having across the Third Sector and allowed us to continue to provide vital financial support for charities.

Throughout 2022, we will continue to award grants to charities working across Scotland through our Grant Programmes and provide Matched Giving to charities supported by the Group's employees. This is made possible only by the continuing support of the Group through its annual donation which we are delighted to announce was £3,972,403 and was received in February 2022 as part of its commitment to Helping Scotland Recover.

Independent auditors

Deloitte LLP have expressed their willingness to continue in office as auditor. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte 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.

The Trustees' Report was approved by the Board of Trustees and authorised for issue on 13 July 2022.

Signed on its behalf by



Donald MacKechnie
Chair
Bank of Scotland Foundation
13 July 2022

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.

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.

Statement of disclosure to auditors

In so far as the Trustees are aware:

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bank of Scotland Foundation (the 'charitable company'):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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.

We have audited the financial statements, which comprise:

- the statement of financial activities
- the balance sheet
- the statement of cash flows; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the Directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees 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.

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the charitable company's industry and its control environment, and reviewed the charitable company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and Trustees about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the charitable company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Charities Act and UK Companies Act; and
- did not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's ability to operate or to avoid a material penalty. These included the Scottish Charity Regulator (OCSR) Regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our specific procedures performed to address it are described below:

- we identified a risk related to application of grant expenditure in line with charitable objectives, and the correct recognition of liabilities in respect of grant expenditure.

We have addressed this risk by selecting a sample of grants recognized in the year and reviewing the grant agreements, Board minutes, cash payments and related information to understand the purpose of the grant, any conditions present in order to ascertain the correct level of expenditure and related liability to recognize.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting

estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing any correspondence with the Charity Commission.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' report, which includes the Directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report included within the Trustees' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report included within the Trustees' report.

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sarah Anderson FCCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 July 2022

Deloitte LLP is eligible for appointment as auditor for the charity by virtue of its eligibility for appointment as audit of a company under section 1212 of the Companies Act 2006.

Audited Financial Statements

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

For the year ended 31 December 2021

	Note	Unrestricted Funds 2021 £	Total 2021 £	Total 2020 £
Income and endowments from:				
Donations and legacies	4	5,307,890	5,307,890	5,301,922
Investments		2,879	2,879	12,428
Total income		<u>5,310,769</u>	<u>5,310,769</u>	<u>5,314,350</u>
Expenditure on:				
Charitable Activities	3	5,488,818	5,488,818	4,819,611
Total expenditure		<u>5,488,818</u>	<u>5,488,818</u>	<u>4,819,611</u>
Net movement in funds / net (expenditure)/income / for the year		<u>(178,049)</u>	<u>(178,049)</u>	<u>494,739</u>
Total funds brought forward		<u>2,450,310</u>	<u>2,450,310</u>	<u>1,955,571</u>
Total funds carried forward		<u>2,272,261</u>	<u>2,272,261</u>	<u>2,450,310</u>

All activities are derived from continuing operations.

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

The notes on pages 21 to 27 form part of these financial statements.

BALANCE SHEET

As at 31 December 2021

	Note	2021 £	2020 £
Current Assets			
Cash at Bank and in hand		<u>4,477,979</u>	<u>3,107,349</u>
TOTAL CURRENT ASSETS		<u>4,477,979</u>	<u>3,107,349</u>
Creditors: amounts falling due within one year	6	<u>(1,161,743)</u>	<u>(232,832)</u>
NET CURRENT ASSETS		3,316,236	2,874,517
Creditors: amounts falling due after one year	7	<u>(1,043,975)</u>	<u>(424,207)</u>
TOTAL NET ASSETS		<u>2,272,261</u>	<u>2,450,310</u>
The funds of the charity:			
Unrestricted funds		<u>2,272,261</u>	<u>2,450,310</u>
Total Charity Funds		<u>2,272,261</u>	<u>2,450,310</u>

The financial statements were approved by the Board of Trustees on 13 July 2022 and signed on its behalf by:



Donald MacKechnie, Chair of Bank of Scotland Foundation



Alison Macdonald, Trustee of Bank of Scotland Foundation

The notes on pages 21 to 27 form part of these financial statements.

A Company Limited by Guarantee Registered in Scotland Number SC229825

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021	2020
	£	£
Reconciliation of net income to net cash flow from operating activities		
Net (outgoings)/income for the reporting period (as per the statement of financial activities)	(178,049)	494,739
Interest from investments	2,879	(12,428)
Increase /(Decrease) in creditors	1,548,679	(2,325)
Net cash inflows provided by operating activities	<u>1,373,509</u>	<u>479,986</u>
Cash flows from investing activities:		
Interest from investments	2,879	12,428
Net Cash Inflow	<u>1,370,630</u>	<u>492,414</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 December 2021

	2021	2020
	£	£
Cash inflow during the year	1,370,630	492,414
Net funds at 1 January	<u>3,107,349</u>	<u>2,614,935</u>
Net funds at 31 December	<u>4,477,979</u>	<u>3,107,349</u>

The notes on pages 21 to 27 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2021

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 2021 there were eight Trustees each of whom was also a Director and member.

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. For those Directors who are employees of Lloyds Banking Group plc the indemnity is in the form of a Lloyds Banking Group plc Directors and Officers Insurance Policy which was in force throughout the last financial year and is currently in force. For the remaining Directors the indemnity is in the form of a separate policy taken out by the Foundation and which is currently in force.

2. Accounting Policies

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 (SORP 2019), and the Companies Act 2006.

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 budget plans and financial outlook of Bank of Scotland Foundation for at least twelve months from the date of signing.

Based on the funding covenant in place with the Group and discussions with the Group, who also provide staff services, the Trustees have a reasonable expectation that the charity has adequate reserves to continue in operational existence for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing the financial statements

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.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2.1 Accounting policies (continued)

2.1.3 Donated Services

All office, utilities and staff costs incurred by the Foundation, are paid by Lloyds Banking Group plc. Donated services and facilities are valued and included as income and expenditure at the price the Foundation estimates it would pay in the open market for an equivalent service or facility.

The auditors are appointed for the 2021 financial statements, and audit fee is paid for by the Group. The value of the audit of £9,135 has been included in the 2021 financial statements as a donated service.

2.1.4 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).

2.1.5 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 Foundation and its compliance with regulation and good practice.

2.1.6 Taxation

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

2.1.7 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.

(iii) Critical accounting judgements and estimates

The Trustees do not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure beyond the accounting policies listed above.

**Notes to the financial statements for the year ended 31 December 2021
(continued)**

3. Charitable Activities

	Grants Payable (3a) £	Matched Giving (3b) £	Support Costs £	Total 2021 £
Social Exclusion and Disadvantage	4,745,533	270,444	472,841	5,488,818
Total Charitable Activities	<u>4,745,533</u>	<u>270,444</u>	<u>472,841</u>	<u>5,488,818</u>

	Grants Payable (3a) £	Matched Giving (3b) £	Support Costs £	Total 2020 £
Social Exclusion and Disadvantage	4,050,261	301,999	467,351	4,819,611
Total Charitable Activities	<u>4,050,261</u>	<u>301,999</u>	<u>467,351</u>	<u>4,819,611</u>

During 2021 the Foundation made 168 grants to charities for Social Exclusion and Disadvantage ranging from £1,250 to £176,176. Also included under grants payable were December donations awarded to 10 charities, who had previously been funded by the Foundation, to support their activities through the Festive period, representing an overall total of £20,000.

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 employees of Lloyds Banking Group plc who carried out certain administrative duties of the Foundation during the year.

3a. Reconciliation of Grants Payable

	2021 £	2020 £
Grants awarded in the year	4,725,533	4,050,261
Grants returned	-	-
	<u>4,725,533</u>	<u>4,050,261</u>

Notes to the financial statements for the year ended 31 December 2021 (continued)

3b. Reconciliation of Matched Giving Payable

	2021	2020
	£	£
Matched Giving awarded in the year	272,895	304,877
Matched Giving cancelled	(2,451)	(2,878)
	<u>270,444</u>	<u>301,999</u>

3c. Analysis of support costs

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 employees of Lloyds Banking Group plc who carried out certain administrative duties of the Foundation during the year. The Foundation does not have any employees.

	Staff Costs £	Office Costs £	Total 2021 £
Social Exclusion and Disadvantage	263,338	127,824	411,162
Corporate Governance	53,908	27,771	81,679
	<u>317,246</u>	<u>155,595</u>	<u>472,841</u>

	Staff Costs £	Office Costs £	Total 2020 £
Social Exclusion and Disadvantage	268,144	127,842	395,986
Corporate Governance	52,606	18,759	71,365
	<u>320,750</u>	<u>146,601</u>	<u>467,351</u>

Staff Costs are split as follows:

	2021	2020
Salaries	225,010	215,197
Social security costs	26,651	23,711
Pensions	56,662	47,869
Other staff costs	8,923	33,173
	<u>317,246</u>	<u>320,750</u>

Notes to the financial statements for the year ended 31 December 2021 (continued)

4 Donations and legacies

All income is recognised in the Statement of Financial Activities when the Foundation is entitled to the income, the flow of economic benefit to the Foundation is probable and the amount can be measured reliably. The Foundation received £4,972,609 under the terms of the funding covenant with Lloyds Banking Group. A further donation of £8,900 was received in 2021. All office, utilities and staff costs incurred by the Foundation, are paid by Lloyds Banking Group plc. Further details see Note 3c above.

5. Trustees' expenses

No Trustees received remuneration or accommodation expenses during the year from the Foundation. No reimbursed expenditure was made in 2021 to any Trustee during the year. (2020: £321 to one Trustee for travel expenses).

6. Creditors: amounts falling due within one year

	2021 £	2020 £
Grants payable	1,161,743	232,832
Accruals	-	-
	<u>1,161,743</u>	<u>232,832</u>

Grants payable relate to applications received for employee Matched Giving prior to 31 December 2021 that had not been paid at the year-end (£8,563, (2020: £15,145) and the amounts due in 2022 for Invest Grants beneficiaries (£505,980, (2020: £267,687) and Change Grants beneficiaries £647,200 (2020: £0.)

7. Creditors: amounts falling due after one year

	2021 £	2020 £
Grants payable	<u>1,043,975</u>	<u>424,207</u>
	1,043,975	424,207

Grants payable relate to the annual amounts due after 2022 for Invest Grant beneficiaries.

Multi-year grants awarded but not paid are recognised as liabilities in accordance with the Foundation's accounting policy totalled £2,197,155 (2020:£641,894)

Notes to the financial statements for the year ended 31 December 2021 (continued)

8. Related party transactions

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

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

The Foundation received £4,972,609 (2020: £4,972,472) under the terms of the funding covenant in the year. The Group also paid costs of £326,381 (2020: £329,450) on behalf of the Foundation. These costs have been paid in accordance with the terms of the funding covenant.

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

At 31 December 2021 a balance of £4,477,979 (2020 - £3,107,349) was held in bank accounts with Bank of Scotland plc. The Foundation also received interest of £2,879 (2020 - £12,428) in the year.

9. Controlling party

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

10. Analysis of charitable expenditure

The following table lists all Grants over £20,000 made during the year and the amount disclosed represents the amount which is recorded in the Statement of Financial Activities for the year ended 31 December 2021. A full list of all grants awarded in 2021 is available on our website www.bankofscotlandfoundation.org. No grants to individuals were approved in the year.

Grants over £20,000	£
East Renfrewshire Citizens Advice Bureau	20,000
Epilepsy Connections	20,000
Grassmarket Community Project	20,200
Tweeddale Youth Action	20,330
Eighteen And Under	20,500
Rape and Sexual Abuse Service Highland	20,671
Inverness Foodstuff	20,755
Bike for Good	20,865
Bikes for Refugees (Scotland)	20,880
Project 31 SCIO	20,905
The Health and Wellness Hub	20,978

Home-Start Caithness	21,171
Abernecessities	21,260
Carers of West Lothian	21,430
The Hollies Day Centre SCIO	21,488
Home-Start Orkney	21,956
Counselling Care: Skye and Lochalsh (CCSL)	22,196
The Larder West Lothian	22,700
Junction 12	22,898
Break The Silence	23,000
Cruse Bereavement Care Scotland	23,224
ANYISO	23,520
Family Addiction Support Service (FASS)	23,981
Projekt 42	24,232
Richmond's Hope	24,241
Street Soccer Scotland	24,500
Glasgow East Alcohol Awareness Project	24,674
Start Up Stirling SCIO	24,948
Glasgow Disability Alliance	25,000
Home-Start Lorn	25,000
Talk Now	25,000
Tannochside Information & Advice Centre	25,000
Renfrewshire Carers Centre	55,110
Families Like Us	70,500
Pollokshields Development Agency	77,640
Flourish House	85,680
Edinburgh Children's Hospital Charity	100,000
LifeCare Edinburgh	100,012
Kindred Advocacy	101,720
Healthy'n'Happy Community Development Trust	107,586
Kirkcaldy YMCA	108,436
Grampian Society for the Blind (NESS)	121,210
Community Central Hall	130,000
St Andrews Environmental Network	134,580
PLUS (Forth Valley) Limited	138,520
British Liver Trust	140,000
Instant Neighbour	154,620
Open Door Accommodation Project	155,470
Haddington Citizens Advice Bureau	162,945
Stirling District Citizens Advice Bureau Ltd	164,410
Financial Fitness Resource Team	164,610
LGBT Youth Scotland	172,460
Positive Action In Housing	173,980
An Lanntair	176,176
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	£3,513,168
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