

**✳ BANK OF SCOTLAND**  
**Foundation**

**Financial Statements for the**  
**year**  
**ended 31 December 2022**

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

## Contents

|   |         |
|---|---------|
| Review of 2022 by the Chair                               | Page 3  |
| Reference and Administrative Information                  | Page 5  |
| Trustees' Report  | Page 6  |
| Statement of Trustees' Responsibilities                   | Page 12 |
| Independent Auditor's Report                              | Page 13 |
| Statement of Financial Activities                         | Page 18 |
| Balance Sheet   | Page 19 |
| Statement of Cash Flows                                   | Page 20 |
| Reconciliation of net cash flow to movements in net funds | Page 20 |
| Notes to the Financial Statements                         | Page 21 |

## Review of 2022 by the Chair

2022 proved to be another challenging year for charities and communities across Scotland. While many charities spent the previous two years struggling to support their communities through the pandemic, they now encountered a new challenge – the cost of living crisis. We saw the need for funding intensify throughout the year, as charities struggled with rising costs and an increased demand for their services. In 2022, the Foundation provided over £5million to more than 500 charities across Scotland, enabling over 200,000 people to access essential local services and personal support when they needed it most.

Having seen the hugely positive impact that our Covid-19 contingency awards made to charities, we took decisive action once again, providing almost £1 million of additional financial support to help charities through the cost of living crisis. We proactively offered our current grantees a 10% grant uplift to help towards rising costs and ensure they could continue to deliver their services. In total, 173 charities shared £318,580.

Concerned that some charities would not be able to survive the coming year, we also increased the budgets of our remaining 2022 programmes by £650,000 to ensure more charities could benefit from our programmes. Offering core cost funding for charities is something we remain committed to through all our grant programmes, funding costs such as fuel, electricity, heating, lighting, salaries – some of the areas hardest hit by rising costs.

Our Reach programme was able to help small and medium sized charities continue to deliver a range of projects that address societal issues such as mental health, as well as help charities provide warm spaces and meals for vulnerable people and families who were struggling with rising heating and food bills. In total, 123 charities shared £1,913,169 in 2022.

For the second year running, charities were able to apply for unrestricted funding through our Change Grants programme, which had a strong focus this year on helping charities address the cost of living crisis. The programme extended a lifeline to charities, allowing them to apply for whatever was their greatest priority and area of need – whether that was capital costs, project work, specific operating costs, or unrestricted funding. For this programme, twelve charities shared £1,487,036 over one to two years.

Providing funding for up to five years, our Invest Grants programme focused once more on supporting charities that address disadvantage or social exclusion. Eleven charities shared £988,954 over three to five years, helping vulnerable people across Scotland manage a variety of issues including mental health, loneliness and poverty.

Thanks to the tireless efforts of Lloyds Banking Group employees, over 300 charities benefited from a valuable source of additional income through our Matched Giving programme. Over £327,000 worth of claims were approved in 2022 from employees who devoted their time to volunteer, or fundraise through marathons, bake sales and quiz nights for charities close to their hearts.

Also due to the support from Lloyds Banking Group colleagues, our Charity Mentoring programme continues to provide Foundation funded charities with support, direction, advice and motivation, helping them achieve personal goals as well as grow their charity. As at the end of 2022, a total of 80 Foundation charities have been matched to a Lloyds Banking Group colleague mentor.

**Review of 2022 by the chair (continued)**

In the first half of the year, I was delighted to welcome two new Trustees to our Board, Jon Alexander and Laura Armstrong, who bring a wealth of collective experience. The Board is excited to continue the journey with our new members and look to helping shape the Foundation's work in the coming year and strengthen the impact it has across Scotland.

We are continually grateful to our sole funder, Lloyds Banking Group for their annual donation, especially during such challenging years. Their donation of almost £4m in February enabled us to plan the ways we would support charities during the year and gave us the flexibility to provide more assistance for charities when it was required. The Group has confirmed that its annual donation will be £4.8 million in 2023 which we are extremely thankful for. As the cost of living crisis will undoubtedly continue to worsen during 2023, the Foundation remains committed to supporting Scottish charities and the communities they serve.



19 May 2023  
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)  
Jon Alexander (appointed 15 July 2022)  
Laura Armstrong (appointed 22 April 2022)  
Graham Blair  
Phillip Grant (ex-chair resigned as a Trustee on 5 May 2022)  
Jackie Leiper  
Allison Macdonald  
Ken Macintosh  
Julianne Reddin  
Graeme Thompson  
Karen Watt

### Company Secretary:

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

### 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  
3 Victoria Square  
Victoria Street  
St Albans  
AL1 3TF

### 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 MacKeechie 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, the meetings are chaired by Donald MacKeechie 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, 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). 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.

#### Objectives and Activities

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

## Trustees' Report (continued)

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 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. In 2022 we distributed over £1,910,000 to 123 charities across Scotland.

The Reach Grants Programme continued to recognise the continuing impacts 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** – this programme accepts applications from charities with an annual income of £1m or less. Charities could apply for grants for core costs, capital costs or project costs of £10,000 to £50,000 each year for up to five years. This multi-year funding provides financial certainty to charities to enable them to deliver vital services, during the recovery phase of the Covid-19 pandemic, and in the face of inflationary pressures.

This grant programme saw the highest amount of funding requested for any grant programme in the last twelve years, demonstrating the real need for multi-year funding. We distributed almost £990,000 through this programme to 11 charities across Scotland. The programme provided funding to charities to help vulnerable people across Scotland manage various issues, including mental health, loneliness, disabilities and poverty.

**Change Grants** – this annual programme accepts applications from charities with an annual income between £500,000 and £5m. Charities could apply for funding between £50,000 and £100,000 per year for between 1 and 2 years.

Bank of Scotland Foundation recognises the significant impact that the cost of living crisis is having on people across Scotland. To ensure our funding can reach those in real need, the Change grants programme for 2022 had a strong focus on helping charities address the crisis.

For the second year running, charities could apply for unrestricted funding through this programme. We recognise that unrestricted core cost funding gives charities greater flexibility over how they use their resources, allowing them to respond quickly to a changing environment and adapt accordingly.

Offering up to £200k over two years, our Change programme extends a lifeline to charities allowing them to apply for whatever is their greatest priority and area of need - whether that be capital costs, project work, specific operating costs or unrestricted funding.

We distributed almost £1.5m through this programme to twelve charities across Scotland in 2022.

**Uplift Grants** – this programme for existing grantees was established in August 2022 as a direct response to the increasing financial challenges that charities were facing due to the cost of living Crisis. In total 173 charities were contacted and offered an uplift award of 10% of their current grant value. This award could be used to continue to carry out the original purpose of their grant, or if this was not possible, as a contribution to their general running costs. Every charity accepted our offer, enabling a total of almost £319,000 to be distributed.

**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 2022, 32 charities continue to be matched to a Lloyds Banking Group employee.



## Trustees' Report (continued)

**Matched Giving** – charities supported by the fundraising and volunteering efforts of the Group's employees in Scotland shared over £327,000 in 2022. Our programme encourages employees to become involved in their community by providing Matched Giving of up to £1,000 per employee per year. In 2022, the Group's Charity of the Year, Mental Health UK, was awarded £27,617 from the Foundation as a result of 90 employee applications, with employees undertaking a variety of fundraising activities throughout the year including virtual quiz nights and sponsored walks.

Overall, 817 applications were received for Matched Giving in 2022 and the top 10 charities who received funding were:

| Charity   | Amount (£) |
|---|------------|
| Mental Health UK (Lloyds Banking Group Charity of the Year) | 27,617     |
| Macmillan Cancer Support                                    | 20,907     |
| Cancer Research UK  | 11,682     |
| Muskelburgh Windsor CFC                                     | 8,375      |
| Beatson Cancer Charity                                      | 6,345      |
| Maggie's  | 4,445      |
| Calum's Cabin   | 4,436      |
| Children's Hospices Across Scotland                         | 4,080      |
| DEBRA   | 4,000      |
| Inverkeithing Hillfield Swifts                              | 3,500      |

## 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 2022.

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 2022, the Foundation received a donation of £3,972,403, 2021:£4,972,609)from the Group under the terms of the funding covenant. A further donation of £389,200 (2021:£8,900)was received from the Group to recognise the effects of the cost of living crisis. In addition staff costs (£363,613) and audit fee (£9,482) were donated by the Group.

During the year £5,036,957 was awarded to charities working in Scotland via the Reach Grants Programme, Invest Grants Programme, Change Grants Programme, Uplift Grants, Charity Donations and Matched Giving Programme.

## Trustees' Report (continued)

### Investment Policy

The Trustees adopt an investment policy that is prudent 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 therefore inappropriate 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 2022 the Foundation held £1,530,618 (2021: £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 approval of these financial statements.

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, being at least twelve months from the date of approval of these financial statements. 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.

## Trustees' Report (continued)

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 are appointed for an initial term of three years and 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.

### Plans for Future Years

Throughout 2023, 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 £4,805,052 and was received in February 2023 as part of its commitment to Helping Scotland Prosper.

The Trustees were pleased with the continuing success of the Foundation's Grants Programmes in 2022, and as the Foundation's five year strategy comes to an end in December 2023, look forward to the launch of the new strategy for the next three years.

### 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 19 May 2023.

Signed on its behalf by



Donald Mackechnie – Chair  
Bank of Scotland Foundation  
19 May 2023

## 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, (United Kingdom Generally Accepted Accounting Practice) comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law. 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 (2019);
- 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 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 2022 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](http://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, including those that are specific to the charitable company's business sector.

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 (OCSRF) 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 procedures performed to address it are described below:

- we identified a risk related to the correct recognition of liabilities in respect of grant expenditure. We have addressed this risk by selecting a sample of grants recognised in the year and reviewing the grant agreements, Board minutes, cash payments and related information to understand the purpose of the grant, and any conditions present in order to ascertain the correct level of expenditure and related liability to recognise.

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:

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 Trustees 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

### Use of our report

We have nothing to report in respect of these matters.

- from the requirement to prepare a strategic report.
  - the Trustees were not entitled to take advantage of the small companies' exemption
  - we have not received all the information and explanations we require for our audit; or
  - certain disclosures of Trustees' remuneration specified by law are not made; or
  - or
  - the financial statements are not in agreement with the accounting records and returns; have not been received from branches not visited by us; or
  - adequate accounting records have not been kept, or returns adequate for our audit
- 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:

### Matters on which we are required to report by exception

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.

- the Directors' report included within the Trustees' report has been prepared in accordance with applicable legal requirements.
- 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 information given in the Trustees' report, which includes the Directors' report in our opinion, based on the work undertaken in the course of the audit:

### Opinions on other matters prescribed by the Companies Act 2006

#### Report on other legal and regulatory requirements

- 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



the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Craig Wisdom FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans, United Kingdom

19 May 2023

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 2022

|   | Unrestricted Funds 2022 | Total 2022       | Unrestricted Funds 2021 |
|---|-------------------------|------------------|-------------------------|
| <b>Income from:</b>   |                         |                  |                         |
| Donations   | 4,734,698               | 4,734,698        | 5,307,890               |
| Investments   | 9,342                   | 9,342            | 2,879                   |
| <b>Total income</b>   | <u>4,744,040</u>        | <u>4,744,040</u> | <u>5,310,769</u>        |
| <b>Expenditure on:</b>  |                         |                  |                         |
| Charitable Activities   | 5,485,683               | 5,485,683        | 5,488,818               |
| <b>Total expenditure</b>                                      | <u>5,485,683</u>        | <u>5,485,683</u> | <u>5,488,818</u>        |
| <b>Net movement in funds / net (expenditure) for the year</b> | <u>(741,643)</u>        | <u>(741,643)</u> | <u>(178,049)</u>        |
| <b>Total funds brought forward</b>                            | <u>2,272,261</u>        | <u>2,272,261</u> | <u>2,450,310</u>        |
| <b>Total funds carried forward</b>                            | <u>1,530,618</u>        | <u>1,530,618</u> | <u>2,272,261</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.

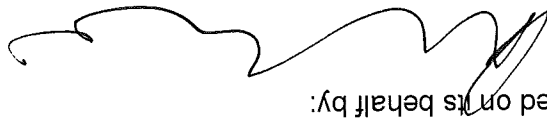
The notes on pages 21 to 28 form part of these financial statements.

**BALANCE SHEET**

**As at 31 December 2022**

|   | 2022             | 2021             |      |
|---|------------------|------------------|------|
|   | £                | £                | Note |
| <b>CURRENT ASSETS</b>   |                  |                  |      |
| Cash at Bank and in hand  | 4,066,096        | 4,477,979        |      |
| <b>TOTAL CURRENT ASSETS</b>                                     | <u>4,066,096</u> | <u>4,477,979</u> |      |
| Creditors: amounts falling due within one year                  | (1,480,829)      | (1,161,743)      | 6    |
| <b>NET CURRENT ASSETS/Total assets less current liabilities</b> | 2,865,267        | 3,316,236        |      |
| Creditors: amounts falling due after one year                   | (1,054,649)      | (1,043,975)      | 7    |
| <b>TOTAL NET ASSETS</b>   | <u>1,530,618</u> | <u>2,272,261</u> |      |
| <b>The funds of the charity:</b>                                |                  |                  |      |
| Unrestricted funds  | 1,530,618        | 2,272,261        |      |
| <b>Total Charity Funds</b>                                      | <u>1,530,618</u> | <u>2,272,261</u> |      |

The financial statements were approved by the Board of Trustees on 19 May 2023 and signed on its behalf by:



Donald Mackenzie, Chair of Bank of Scotland Foundation



Allison Macdonald, Trustee of Bank of Scotland Foundation

The notes on pages 21 to 28 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 2022

|   | 2022             | 2021             |
|---|------------------|------------------|
|   | £                | £                |
| <b>Reconciliation of net income to net cash flow from operating activities</b>          |                  |                  |
| Net (outgoings) for the reporting period (as per the statement of financial activities) | (741,643)        | (178,049)        |
| Interest from investments   | (9,342)          | (2,879)          |
| Increase in creditors   | 329,760          | 1,548,679        |
| <b>Net cash inflows (used in) / provided by operating activities</b>                    | <u>(421,225)</u> | <u>1,367,751</u> |
| <b>Cash flows from investing activities:</b>  |                  |                  |
| Interest from investments   | 9,342            | 2,879            |
| <b>Net Cash (outflow) inflow</b>  | <u>(411,883)</u> | <u>1,370,630</u> |

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

For the year ended 31 December 2022

|  | 2022             | 2021             |
|--|------------------|------------------|
|  | £                | £                |
| Net Cash (outflow)/ inflow during the year | (411,883)        | 1,370,630        |
| Net funds at 1 January                     | 4,477,979        | 3,107,349        |
| Net funds at 31 December                   | <u>4,066,096</u> | <u>4,477,979</u> |

There were no cash equivalents at 31 December 2022 (2021:none)

The notes on pages 21 to 28 form part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2022

### 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 2022 there were ten 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 functional currency is in pounds sterling

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, being at least twelve months from the date of approval of these financial statements. 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 2022**  
**(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 would pay in the open market for an equivalent service or facility. The auditors are appointed for the 2022 financial statements, and audit fee is paid for by the Group. The value of the 2022 audit of £9,482 (2021: £9,135) has been included in the 2022 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 2022 (continued)

3. Charitable Activities

|                                   | Grants Payable (3a) | Matched Giving (3b) | Support Costs | Total 2022 |
|-----------------------------------|---------------------|---------------------|---------------|------------|
| Social Exclusion and Disadvantage | 4,683,051           | 327,598             | 475,034       | 5,485,683  |
| Total Charitable Activities       | 4,683,051           | 320,598             | 475,034       | 5,485,683  |
| Social Exclusion and Disadvantage | 4,745,533           | 270,444             | 472,841       | 5,488,818  |
| Total Charitable Activities       | 4,745,533           | 270,444             | 472,841       | 5,488,818  |

During 2022 the Foundation awarded 318 grants to charities for Social Exclusion and Disadvantage ranging from £125 to £225,800. Included in these amounts are Uplift Funding, to donations awarded to 173 charities, who had previously been funded by the Foundation, to help them address the cost of living Crisis, representing an overall total of £318,580.

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

|                            | 2022        | 2021        |
|----------------------------|-------------|-------------|
| Grants awarded in the year | 4,707,739   | 4,725,533   |
| Grants returned            | (24,688)    | -           |
|                            | £ 4,683,051 | £ 4,725,533 |

3b. Reconciliation of Matched Giving Payable

|      |   |         |                                    |
|------|---|---------|------------------------------------|
| 2022 | £ | 327,718 | Matched Giving awarded in the year |
| 2021 | £ | 272,895 | Matched Giving cancelled           |
|      |   | (120)   |                                    |
|      |   | 327,598 |                                    |
|      |   | 270,444 |                                    |

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   |
|--|-------------|--------------|---------|
| 2022   | £           | £            | £       |
| 2021   | £           | £            | £       |
| Staff Costs  | 363,613     | 111,421      | 475,034 |
| Office Costs   | 67,615      | 20,491       | 88,106  |
| Social Exclusion and Disadvantage Corporate Governance | 295,998     | 90,930       | 386,928 |
| Staff Costs  | 53,908      | 27,771       | 81,679  |
| Office Costs   | 263,338     | 127,824      | 391,162 |
| Social Exclusion and Disadvantage Corporate Governance | 317,246     | 155,595      | 472,841 |
| Staff Costs  | 363,613     | 111,421      | 475,034 |
| Office Costs   | 67,615      | 20,491       | 88,106  |
| Social Exclusion and Disadvantage Corporate Governance | 295,998     | 90,930       | 386,928 |
| Staff Costs  | 53,908      | 27,771       | 81,679  |
| Office Costs   | 263,338     | 127,824      | 391,162 |
| Social Exclusion and Disadvantage Corporate Governance | 317,246     | 155,595      | 472,841 |

Staff Costs are split as follows:

|                       |         |         |   |
|-----------------------|---------|---------|---|
| 2022                  | £       | 2021    | £ |
| Salaries              | 225,972 | 225,010 |   |
| Social security costs | 31,145  | 26,651  |   |
| Pensions              | 61,096  | 56,662  |   |
| Other staff costs     | 45,400  | 8,923   |   |
|                       | 363,613 | 317,246 |   |



**Notes to the financial statements for the year ended 31 December 2022**  
(continued)

**4 Donations**

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 £3,972,403 under the terms of the funding covenant with Lloyds Banking Group. A further donation of £389,200 was received in 2022. All office space, utilities and staff costs incurred by the Foundation, are paid by Lloyds Banking Group plc. The staff costs total £363,613 (2021: £317,216) and details are in e Note 3c above. Audit fees of £9,482 (2021: £9,135) were also paid by Lloyds Banking Group. Total donations from Lloyds Banking Group were £4,734,698 (2021: £5,307,890).

General office running costs totalling £114,421 (2021: £155,595) were paid for by the Foundation. These costs are primarily for IT, marketing and design costs.

**5. Trustees' expenses**

No Trustees received remuneration or accommodation expenses during the year from the Foundation. Reimbursed expenditure was made in 2022 to one Trustee for travel expenses. (2021: £0).

**6. Creditors: amounts falling due within one year**

|                | 2022             | 2021             |
|----------------|------------------|------------------|
| Grants payable | 1,480,829        | 1,161,743        |
| Accruals       | -                | -                |
|                | <u>1,480,829</u> | <u>1,161,743</u> |
|                | £                | £                |
|                | 2022             | 2021             |

Grants payable relate to applications received for employee Matched Giving prior to 31 December 2022 that had not been paid at the year-end £41,816, (2021: £8,563) and the amounts due in 2023 for Invest Grants beneficiaries £709,002, (2021: £505,980) and Change Grants beneficiaries £704,818 (2021: £647,200) and Reach and Uplift Grants beneficiaries £24,213 and £980 (2021: £0)

**7. Creditors: amounts falling due after one year**

|                | 2022             | 2021             |
|----------------|------------------|------------------|
| Grants payable | 1,054,649        | 1,043,975        |
|                | <u>1,054,649</u> | <u>1,043,975</u> |
|                | £                | £                |
|                | 2022             | 2021             |

Grants payable relate to the annual amounts due after 2023 for Invest Grant beneficiaries.

Multi-year grants awarded but not paid are recognised as liabilities in accordance with the Foundation's accounting policy totalled £2,468,469 (2021: £2,197,155).

**Notes to the financial statements for the year ended 31 December 2022**  
**(continued)**

This comprises £1,413,820 due in less than one year as per note 6 above for Invest and Change Grants (2021: £1,153,180), and £1,054,649 due after one year as per note 7 above for Invest Grants (2021: £1,043,975).

**8. Related party transactions**

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

**Notes to the financial statements for the year ended 31 December 2022**  
**(continued)**

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 £3,972,403 (2021: £4,972,609) under the terms of the funding covenant in the year. The Group also paid costs of £373,095 (2021: £326,381) 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 2022 a balance of £4,066,096 (2021 - £4,477,979) was held in bank accounts with Bank of Scotland plc. The Foundation also received interest of £9,342 (2021 - £2,879) 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 2022. A full list of all grants awarded in 2022 is available on our website [www.bankofscotlandfoundation.org](http://www.bankofscotlandfoundation.org). No grants to individuals were approved in the year.

| Grants over £20,000           | £      |
|-------------------------------|--------|
| Lanarkshire Cancer Care Trust | 20,000 |
| Town Break                    | 20,000 |
| Eighteen and Under            | 20,000 |
| Ignite Theatre                | 20,005 |
| Home Start Garloch            | 20,075 |

|         |   |
|---------|---|
| 20,127  | The Ripple Project                                      |
| 20,215  | Lead Scotland   |
| 21,260  | South West Edible Estates                               |
| 21,366  | The Croft Visitors Support Centre HMP Barlinnie         |
| 21,450  | West Lothian Youth Foundation                           |
| 21,665  | Forth Community Resource Centre Steering Group          |
| 21,686  | Grampian Opportunities (SCIO)                           |
| 21,887  | Civil Rights First                                      |
| 22,324  | Venture Scotland  |
| 22,345  | Belville Community Garden Trust                         |
| 22,410  | Teapot Trust SCIO                                       |
| 22,500  | Home-Start East Lothian                                 |
| 22,568  | Deaf Links  |
| 23,000  | The Gate Charity  |
| 23,000  | Launch It Dundee  |
| 23,261  | Lairg & District Learning Centre                        |
| 23,276  | Living Memory Association                               |
| 23,615  | Argyll and Bute Rape Crisis                             |
| 24,000  | Mearns and Coastal Healthy Living Network (MCHLN)       |
| 24,000  | Lyle Gateway  |
| 24,213  | Home-Start Stirling                                     |
| 24,300  | Mid Lin Day Care Ltd                                    |
| 24,500  | Smart Works Edinburgh                                   |
| 24,775  | Home-Start Glasgow South                                |
| 24,877  | Kincairdine & Mearns Citizens Advice Bureau             |
| 24,924  | Cranhill Development Trust                              |
| 25,000  | Govan Home and Education Link Project (Govan HELP)      |
| 25,000  | Men Matter Scotland                                     |
| 25,000  | Argyll, Lomond and the Islands Energy Agency            |
| 25,000  | Stirling Carers Centre                                  |
| 25,000  | West Dunbartonshire Citizens Advice Bureau              |
| 25,000  | Citizens Advice Bureau West Lothian                     |
| 25,000  | Skilz Academy   |
| 25,000  | Perthshire Women's Aid                                  |
| 25,000  | Home-Start Lorn   |
| 25,000  | Held In Our Hearts                                      |
| 25,000  | HOPE Connections  |
| 25,000  | Paisley YMCA  |
| 30,000  | Braid Health and Wellbeing                              |
| 50,550  | Viewpark Family Centre Association Ltd                  |
| 52,000  | Stirling School of English                              |
| 54,000  | Interloch Transport                                     |
| 55,170  | Eric Liddell Centre                                     |
| 67,200  | LAMH Recycle Ltd  |
| 77,400  | The Scottish Centre for Children with Motor Impairments |
| 83,634  | Cairns Counselling                                      |
| 96,000  | Dr Bell's Family Centre                                 |
| 99,600  | BeFriend a Child  |
| 100,000 | Hamilton Citizens Advice Bureau                         |
| 100,000 | New Start Highland                                      |
| 100,000 | Scotland Yard Adventure Centre                          |
| 104,640 | Ronald McDonald House Glasgow                           |
| 108,000 | COPE Ltd  |
| 119,900 | Stirling Baptist Church                                 |

|                   |
|-------------------|
| <b>£3,469,614</b> |
| 130,000           |
| 135,920           |
| 165,004           |
| 172,172           |
| 174,000           |
| 175,000           |
| 225,800           |

St Vincent's Hospice  
 Scottish Huntington's Association  
 Inverness Badenoch and Strathspey Citizens Advice Bureau  
 Glasgow's Golden Generation (GG)  
 Ayrshire Cancer Support  
 Independance  
 Renfrewshire Citizens Advice Bureau