



Financial Statements for the year ended 31 December 2015

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

Contents

Review of 2015 by the Chair	Page 3
Reference and Administrative Information	Page 4
Trustees' Report	Page 5
Statement of Trustees' Responsibilities	Page 11
Independent Auditors' Report	Page 12
Statement of Financial Activities	Page 15
Balance Sheet	Page 16
Cash Flow Statement	Page 17
Reconciliation of net cash flow to movements in net funds	Page 17
Notes to the Financial Statements	Page 18

Review of 2015 by the Chair

In my first review as Chair of the Bank of Scotland Foundation, I am delighted to report that 2015 has been a success. However, before expanding on that success, I would like to pay tribute to my predecessor Kate Guthrie.

Kate was Chair of the Bank of Scotland Foundation from its beginning in October 2010 until September 2015 and during this time evolved the Foundation from a new entrant in the funding field into the well respected funder that it is today. Kate played an instrumental part in shaping the direction of the Foundation and ensuring that the Foundation made a real difference to improving communities across Scotland. I wish her every success in her new ventures.

Our Grant Programmes continue to provide funding to develop and improve communities and support financial inclusion and financial literacy across Scotland. In 2015, our Small Grants Programme awarded over £340,000 to charities making a strong community impact, and our Medium Grants Programme provided over £440,000 to charities working with people who are excluded or disadvantaged in society.

Through our Matched Giving Programme in 2015 we supported the fundraising and volunteering efforts of over 2,000 Lloyds Banking Group plc employees. Over 460 charities across Scotland shared over £815,000 with some employees choosing to support small, local charities and others applying for Matched Giving to support some of Scotland's larger national charities.

2015 was the first year of our Large Grants Programme, which provides charities with steady, reliable, funding over a number of years enabling them to grow stronger and develop so that they can be more effective. Five charities in areas of demonstrable need across Scotland benefited from £405,000 of funding through the 2015 Large Grants Programme.

Our work in Scotland is not possible without the support of our sole funder, Lloyds Banking Group plc (the "Group") who donated £2,090,000 to Bank of Scotland Foundation in 2015 as part of their commitment to Helping Scotland Prosper. The Trustees are delighted that the Group has confirmed that its annual donation for 2016 will be £2,000,000.

Jim Coyle and Ed Smith resigned as Trustees during 2015 and I would like to take this opportunity to thank Kate, Jim, Ed and the rest of the Board for their support and commitment in 2015. It is with great pleasure that I welcome two new Trustees to the Board in 2016 with the appointment of Martin Fleming and Donald Gateley.

I would also like to thank Jillian Baillie, Chief Executive of Bank of Scotland Foundation and her team who have worked hard throughout the year to ensure a consistently high level of service is provided to charities and that our funding is distributed effectively to reach people who are excluded or disadvantaged in society.

We are making a real difference, but we also know that there is so much more we can do. Our support from the Group will be leveraged during 2016 and beyond to ensure we not only continue to make a significant contribution to the needs of vulnerable communities through financial support but that we also start to provide non-financial resources, such as connecting the Group's employees with charities to help them develop and grow through skills-based volunteering.

Using this new approach, we will continue to help those charities throughout Scotland who are at the forefront of delivering positive change.

20 May 2016
Philip Grant
Chair

Reference and Administrative Information

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

Philip Grant (Chair, Appointed 5 September 2015)
Kate Guthrie (Chair, Resigned 5 September 2015)
Robin Bulloch
Jim Coyle (Resigned 27 July 2015)
Sarah Deas
Martin Fleming (Appointed 4 March 2016)
Donald Gateley (Appointed 4 March 2016)
Paul Grice
Ed Smith (Resigned 31 December 2015)

Company Secretary: Ryan Beattie

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

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

Independent Auditors: PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Registered Office: The Mound
Edinburgh
EH1 1YZ

Registered Company No: SC229825 (Company limited by guarantee)

Scottish Charity No: SC032942

Trustees' Report

Structure, Governance and Management

Incorporation

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

The purposes for which the Foundation has been established are laid out in a Charter which specifies two priorities namely – developing and improving communities and financial inclusion and financial literacy.

Organisation

The Foundation is governed by a Board of Trustees, with Philip Grant as Chair. The day to day operations of the Foundation are delegated to Jillian Baillie, Chief Executive of the Foundation and her team. The Chief Executive of the Foundation reports to Damian Leeson, Group Responsible Business Director who reports into the Director of Group Corporate Affairs of Lloyds Banking Group plc.

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

The Trustees have an agreed Investment Policy and Reserves Policy.

Trustees

The Trustees who served during the year and up to the date of signing the financial statements are listed on page 4. Each Trustee, except Sarah Deas and Paul Grice, is an employee of Lloyds Banking Group plc.

The Trustees may appoint a Trustee provided that such person has first been recommended for appointment in accordance with the Trustee Appointment Policy. Trustees may only hold office for a maximum period of six years though in exceptional circumstances may be re-appointed for a third term of three years. Trustees appointed to the Foundation are Members of the company.

New Trustees are given induction training and regular updates are provided to all Trustees on all matters relating to their role as Trustees.

There is no maximum to the number of Trustees, but the minimum is three. Trustees may be paid expenses but may not be remunerated.

Trustees' Report (continued)

Risk Policy

The Trustees have examined the major strategic, business and operational risks which the charity faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks.

The Trustees regularly review the governance and activities of the Foundation at quarterly board meetings through the review of a risk matrix and risk register to ensure any risks are identified and that actions can be implemented to mitigate the risks in early course.

Objectives and Activities

The Foundation's policy is to make awards of grants in accordance with its charitable objectives:

- developing and improving communities; and
- financial inclusion and financial literacy

The Foundation meets these objectives through awarding grants to various organisations.

Achievements and Performance

Designed to make a genuine, tangible difference to individuals and their communities, the programmes of the Foundation have continued to flourish in 2015:

Small Grants – our programme accepts applications of between £1,000 and £10,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

Through our Small Grants Programme we make grants each quarter that have a strong community impact and make a tangible difference to the charities and the people they support. In addition, the Small Grants Programme aims to reach as many communities as possible across Scotland.

We distributed in excess of £340,000 through our Small Grants Programme to charities across Scotland in 2015 and importantly we have continued to provide funding for much needed core costs such as salaries, management costs, or simply the operational costs that keep a charity running. In an increasingly challenging funding environment, our core funding provides the stability for many charities to continue pursuing their charitable purposes and identify opportunities for future funding.

Trustees' Report (continued)

Medium Grants –our programme accepts applications of between £10,001 and £25,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

The Medium Grants Programme provides funding each quarter for projects that will make a lasting impact and only supports charities that work with people who are excluded or disadvantaged in society.

We distributed in excess of £440,000 through our Medium Grants programme to charities across Scotland in 2015, addressing areas such as debt management, increasing community engagement and supporting job creation in some of Scotland's most deprived areas.

Large Grants – launched in 2015 our programme accepts applications of between £50,000 and £100,000 from charities registered in Scotland that meet the funding criteria of the Foundation.

The Large Grants Programme is an annual programme that provides sustainable funding over multiple years for charities who strive to make a difference to the communities they serve.

We distributed over £405,000 through this programme to five charities across Scotland in 2015. Almost £63k of this funding was provided to charities that specifically address financial literacy and financial inclusion. In addition to funding, our Large Grants Programme was specifically designed to encourage charities to indicate their need for volunteers/mentors. All five charities advised that there were opportunities available and throughout 2016, the Foundation will work with Lloyds Banking Group plc to engage their employees in meeting each charity's requirements.

Matched Giving – charities supported by the fundraising and volunteering efforts of Lloyds Banking Group plc employees shared over £815,000 in 2015. With thousands of Lloyds Banking Group plc employees across Scotland, our programme encourages them to become involved in their community by providing Matched Giving of up to £1,000 per employee per year, ensuring even more support for the great work of charities. Over 2,000 employees applied for Matched Giving in 2015 and the top 10 charities who received funding were:

Charity	Amount (£)
BBC Children in Need (Lloyds Banking Group Charity of the Year)	241,546
Cancer Research UK	34,065
MacMillan Cancer Support	33,062
Alzheimer Scotland	14,843
Marie Curie	14,208
Scottish Spina Bifida association	13,500
Children's Hospice Association Scotland	12,955
Edinburgh Sick Kids Friends Foundation	12,691
University of Glasgow Trust	9,025
Waverley Care	8,148

Trustees' Report (continued)

Funding and Investment

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

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

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

Financial Review

In 2015, the Foundation received a donation of £2,090,000 from Lloyds Banking Group plc. During the year £2,010,108 was awarded to charities working in Scotland via the Small Grants Programme, Medium Grants Programme, Large Grants Programme and Matched Giving Programme.

The Trustees are of the opinion that 2015 has been another successful year.

Investment Policy

The Trustees adopt an investment policy that is prudent, cautious and practical. In general, Trustees are under a duty to obtain the best investment performance without undue risk to the investment funds. For the Foundation, the key requirements are:

Liquidity - there is a need to have funds available to distribute to the charitable projects agreed by the Trustees in accordance with project timetables.

Convenient and Efficient Services - prompt and accurate advice and information about the financial statements and their management is required.

Risk Aversion - the purpose of the Foundation is to contribute to charitable projects that meet the necessary funding criteria. The Foundation should prudently manage its funds and it would be inappropriate therefore to seek to invest money for capital growth or to adopt any strategy that would attract risk or impact adversely on the ability of the Trustees to achieve its objectives.

Trustees' Report (continued)

Reserves Policy

It is the policy of the Foundation to maximise charitable giving whilst maintaining unrestricted funds at such a level to allow the charity to fulfil its existing obligations. This policy is reviewed at least annually as part of the approval of the budget for the following year.

As at 31 December 2015 the Foundation held £659,553 in unrestricted funds reserves (equal to total free reserves).

The Foundation aims to hold free reserves to cover current programme funding and running costs at any one time. The current reserves will be used to fund future donations in line with the Foundation's charitable objectives such that free reserves are maintained at a level appropriate to the Foundation's current commitments.

Plans for Future Years

The Foundation plans to continue to award grants to charities working across Scotland through its Grant Programmes and provide Matched Giving to charities supported by Lloyds Banking Group plc's employees. This is made possible by the continuing support of Lloyds Banking Group plc through its annual donation of £2,000,000 in 2016 as part of its commitment to Helping Scotland Prosper.

The Trustees were pleased with the success of the first Large Grants Programme in 2015 and are delighted to confirm that this programme will continue for 2016.

In addition, the Foundation will be engaging with Lloyds Banking Group plc in 2016 to plan the roll-out of an Employee Volunteering Programme that will see some of Lloyds Banking Group plc's employees in Scotland paired with charities in receipt of a Foundation grant to provide skills-based support. Through this programme, we will be looking to strengthen the effectiveness, build the robustness, and improve the sustainability of the charities we fund across Scotland.

Independent auditors

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

Trustees' Report (continued)

Disclosure of information to auditors

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

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

On behalf of the Trustees

Philip Grant
Chair
Bank of Scotland Foundation
20 May 2016

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state that applicable UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

In so far as the Trustees are aware:

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

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

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

Report on the financial statements

Our opinion

In our opinion, Bank of Scotland Foundation's financial statements (the financial statements):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2015 and of its incoming resources and application of resources, including its income and expenditure and cash flows for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).
-

What we have audited

The financial statements, included within the Financial Statements for the year end 31 December 2015 (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of financial activities, which incorporates the income and expenditure account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

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

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustees

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

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and regulations made under those Acts (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act 2006) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

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

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

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

What an audit of financial statements involves (continued)

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

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

20 May 2016

- (a) The maintenance and integrity of the Bank of Scotland Foundation website is the responsibility of the Trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Audited Financial Statements

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

For the year ended 31 December 2015

	Note	Unrestricted Funds 2015 £	Total 2015 £	Total 2014 £
Income and endowments from:				
Donations and legacies	2.14	2,098,515	2,098,515	2,240,000
Investments		9,002	9,002	10,771
Other income	2.15	239,782	239,782	320,778
Total income		2,347,299	2,347,299	2,571,549
Expenditure on:				
Charitable Activities	3	2,191,362	2,191,362	1,971,455
Other expenditure	4	48,012	48,012	60,392
Total expenditure		2,239,374	2,239,374	2,031,847
Net movement in funds / net income for the year		107,925	107,925	539,702
Total funds brought forward		551,628	551,628	11,926
Total funds carried forward		659,553	659,553	551,628

All activities are derived from continuing operations.

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

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

Financial Statements for the year ended 31 December 2015

BALANCE SHEET

As at 31 December 2015

	Note	2015 £	2014 £
Current Assets			
Cash at Bank and in hand		904,672	721,311
TOTAL CURRENT ASSETS		<u>904,672</u>	<u>721,311</u>
Creditors: amounts falling due within one year	6	<u>(245,119)</u>	<u>(169,683)</u>
NET CURRENT ASSETS		659,553	551,628
NET ASSETS		<u>659,553</u>	<u>551,628</u>
The funds of the charity:			
Unrestricted funds		<u>659,553</u>	<u>551,628</u>
Total Charity Funds		<u>659,553</u>	<u>551,628</u>

The financial statements were approved by the Board of Trustees on 20 May 2016 and signed on its behalf by:

Philip Grant, Chair of Bank of Scotland Foundation

Robin Bulloch, Trustee of Bank of Scotland Foundation

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

A Company Limited by Guarantee Registered in Scotland Number SC229825

Financial Statements for the year ended 31 December 2015

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 £	2014 £
Reconciliation of net income to net cash flow from operating activities		
Net income for the reporting period (as per the statement of financial activities)	107,925	539,702
Interest from investments	(9,002)	(10,771)
Increase in creditors	75,436	110,726
Net cash provided by operating activities	<u>174,359</u>	<u>639,657</u>
Cash flows from investing activities:		
Interest from investments	9,002	10,771
Increase in cash	<u><u>183,361</u></u>	<u><u>650,428</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 December 2015

	2015 £	2014 £
Increase in cash in year	183,361	650,428
Net funds at 1 January	<u>721,311</u>	<u>70,883</u>
Net funds at 31 December	<u><u>904,672</u></u>	<u><u>721,311</u></u>

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

Notes to the financial statements for the year ended 31 December 2015

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 2015 there were six Trustees each of whom was also a Director and member.

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity is in the form of a Lloyds Banking Group Directors and Officers Insurance Policy which was in force throughout the last financial year and is currently in force.

2. Statement of compliance

The financial statements of the Foundation have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”), the Charities Statement of Recommended Practice (FRS 102), and the Companies Act 2006.

This is the first year that the Foundation has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. No adjustments were identified as a result of the transition to FRS 102 beyond disclosure changes. No further reconciliation or explanation of the impact of the transition to FRS 102 has been presented.

2.1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

2.12 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 2016 and beyond and based on discussions with Lloyds Banking Group plc, who provide funding to the Foundation and administrative support services, the Trustees have prepared the financial statements on a going concern basis.

The Foundation is a public benefit entity.

2.13 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 2015
(continued)**

2.1 Accounting policies (continued)

2.14 Income

All income is recognised in the SOFA when the Foundation is entitled to the income, the flow of economic benefit to the Foundation is probable and the amount can be measured reliably. The auditors are appointed on an honorary basis for the 2015 accounts (auditors were remunerated for their services in 2014). The value of the audit of £8,515 has been included in the 2015 financial statements as a donated receipt within Donations and legacies income and as a donated service within Other expenditure.

2.15 Other income

All costs incurred by the Foundation, including staff costs, are paid by Lloyds Banking Group plc. Where this expenditure is readily quantifiable, it is recognised as income to, and expenditure of, the Foundation. The split is detailed in the table below.

	Staff Costs	Office Costs	Total 2015	Total 2014
	£	£	£	£
Developing & Improving Local Communities	121,383	61,757	183,140	232,685
Money Advice	11,363	5,782	17,145	27,701
Corporate Governance	36,374	3,123	39,497	60,392
	<u>169,120</u>	<u>70,662</u>	<u>239,782</u>	<u>320,778</u>

*** Staff costs**

	£
Salaries	119,154
Social security costs	14,483
Pensions	20,036
Other staff costs	15,447
Total	<u>169,120</u>

2.16 Expenditure

Charitable activities include grants payable which are charged in the year when the offer is conveyed and a valid expectation created with the recipient that the grant will be paid. Where the grant is conditional (i.e. performance related condition or a condition within the charity's control), such grant will not be recognised as expenditure until the conditions are fulfilled. These grants which have unmet conditions at the year end are noted as a commitment, but not accrued as expenditure. Multi-period grants which have no performance related conditions and the only conditions are outside the Foundation's control are recognised in full as a liability in year of award if the payment of the grant is probable.

Grants and matched giving awards returned or cancelled are credited to expenditure in the year the monies are returned, or obligation terminated (if not yet paid).

Other expenditure included within charitable activities are shown in Note 3.

**Notes to the financial statements for the year ended 31 December 2015
(continued)**

2.16 Expenditure (continued)

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

2.17 Allocation of costs

Charitable activities include the direct costs of the grant awards and the indirect support costs of delivering the grant programmes. Support costs are allocated between charitable programmes and governance on the basis of estimated time spent by staff. Governance costs comprise all costs involving the public accountability of the Charity and its compliance with regulation and good practice.

2.18 Taxation

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

2.19 Financial instruments

The Foundation has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including cash and bank balances, are recognised at transaction price and subsequently carried at amortised cost.

(ii) Financial liabilities

Basic financial liabilities, including other creditors, are initially recognised at transaction price and subsequently carried at amortised cost.

3. Charitable Activities

	Grants Payable (3a) £	Matched Giving (3b) £	Support Costs £	Total 2015 £	Total 2014 £
Developing and improving local communities	1,018,988	808,074	176,118	2,003,180	1,761,538
Money advice and financial literacy	171,038	-	17,144	188,182	209,917
	<u>1,190,026</u>	<u>808,074</u>	<u>193,262</u>	<u>2,191,362</u>	<u>1,971,455</u>

During 2015 the Foundation made 79 grants to developing and improving local communities ranging from £1,000 to £98,218 and 9 grants to money advice and financial literacy causes ranging from £3,000 to £62,830.

**Notes to the financial statements for the year ended 31 December 2015
(continued)**

3. Charitable Activities (continued)

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

The Foundation did not have any employees during the year. (2014: nil)

3a. Reconciliation of Grants Payable

	2015	2014
	£	£
Grants awarded in the year	1,195,023	815,271
Grants returned	(4,997)	(10,864)
	<u>1,190,026</u>	<u>804,407</u>

3b. Reconciliation of Matched Giving Payable

	2015	2014
	£	£
Matched Giving awarded in the year	815,085	906,461
Matched Giving cancelled	(7,011)	-
	<u>808,074</u>	<u>906,461</u>

4. Other expenditure

	2015	2014
	£	£
Staff Costs	36,374	45,415
Auditor remuneration	8,515	7,027
Legal Fees	3,123	7,950
	<u>48,012</u>	<u>60,392</u>

5. Trustees' expenses

No Trustees received remuneration or accommodation expenses during the year from the Foundation. Re-imbursed expenditure of £46 was made to one Trustee in relation to travel expenses during the year.

**Notes to the financial statements for the year ended 31 December 2015
(continued)**

6. Creditors: amounts falling due within one year

	2015	2014
	£	£
Grants payable	245,119	162,661
Other creditors	-	7,022
	<u>245,119</u>	<u>169,683</u>

Grants payable relate to applications received for colleague Matched Giving prior to 31 December 2015 that had not been paid at the year end (£37,409) and the second year instalments for 2015 Large Grant beneficiaries (£207,710).

7. Related party transactions

The Foundation is related to and derives its revenue solely from Lloyds Banking Group plc. The Foundation entered into a Funding Covenant with Lloyds Banking Group plc, where the Lloyds Banking Group plc will provide annual funding of £2m.

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

The Foundation received £2,000,000 (2014: £2,000,000) under the terms of the funding covenant and a further donation of £90,000 (2014: £240,000) in the year. Lloyds Banking Group plc also paid costs of £239,782 (2014: £320,778) on behalf of the Foundation. These costs have been paid in accordance with the terms of the funding covenant.

The costs of £239,782 includes £169,120 (2014: £178,074) for three staff members who work for the Foundation but are employed by Lloyds Banking Group plc.

Each Trustee, except Sarah Deas and Paul Grice, is an employee of Lloyds Banking Group plc.

In 2015 a grant of £10,000 was made to Action for Children, Kate Guthrie acted as a Trustee for both organisations during the year.

At 31 December 2015 a balance of £904,672 (2014 - £721,311) was held at Bank of Scotland plc and received interest of £9,002 (2014 - £10,771) in the year.

8. Controlling party

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

**Notes to the financial statements for the year ended 31 December 2015
(continued)**

9. Analysis of charitable expenditure

The following table lists all Grants made during the year and the amount disclosed represents the amount which is recorded in the Statement of Financial Activities for the year ended 31 December 2015. No grants to individuals were approved in the year.

	£
Small Grants	
Craigentiny Lochend Social Centre	1,000
Lasswade High School PHAB Club	1,000
St Columba Church Playgroup Mother & Toddler Group: Kilmacolm	1,290
The Samaritans Kirkcaldy & District Branch	1,380
46th Glasgow Guides	1,500
Bo'Ness Playway Playgroup	1,692
Minority Communities Addiction Support Services SCIO	2,000
Barra Children's Centre	2,037
Glasgow Disabled Scouts	2,950
Citizens Advice Direct	3,000
Scottish Chamber Orchestra	3,000
Dundee Women's Aid	3,335
Cancer Support Scotland	4,000
Pollokshaws Area Network	4,000
Health in Mind	4,405
Bobath Scotland	4,930
Project Scotland	4,988
Columba 1400	5,000
Edinburgh Cyrenians	5,000
Gardening Leave	5,000
Penicuik and District YMCA-YWCA	5,000
Spectrum	5,000
Bield Housing & Care	5,295
South Ayrshire Foodbank	5,725
Oban and Lorn Riding for the Disabled Group	6,200
Royal Conservatoire of Scotland	6,250
The Village Storytelling Centre	6,320
Edinburgh International Science Festival	6,520
Rowan Alba	6,628
The DASH Club	7,300
Falkirk Community Trust	7,500
Riding for the Disabled Glasgow Group	8,074
Music in Hospitals	8,300
Counselling Care Skye & Lochalsh	8,500
MND Scotland	8,500
Mindspace	8,568
The Abbotsford Trust	8,740
Cairns Counselling	9,000
Wild Things	9,000
Muirhead Outreach Project	9,146
East End Kids & Co	9,411

Notes to the financial statements for the year ended 31 December 2015 (continued)

9. Analysis of charitable expenditure (continued)

Small Grants (continued)

	£
North Glasgow Community Food Initiative	9,500
Starter Packs Inverclyde	9,500
Buddies (SCIO)	9,750
Orkney Alcohol Counselling & Advisory Service	9,770
Sports Driving Unlimited	9,775
Action for Children	10,000
Age Concern Dundee	10,000
Bowel Cancer UK	10,000
Elgin Youth Development Group	10,000
Glasgow City Mission	10,000
Maggie Keswick Jencks Cancer Caring Centres Trust	10,000
National Youth Choir of Scotland	10,000
The Yard Adventure Centre	10,000
Total Small Grants	344,779

Medium Grants

	£
HOPEKitchen SCIO	10,160
Dr Bell's Family Centre	10,500
Lothian Community Transport Services	11,000
Mearns and Coastal Healthy Living Network	11,000
LGBT Health and Wellbeing (LGBT Healthy Living Centre)	11,500
Tweeddale Youth Action	12,000
One Parent Families Scotland	12,098
Orkney Blide Trust	12,296
Brae Riding for the Disabled	12,500
Shetland Islands Citizens Advice Bureau	12,500
Livingston Youth Foundation (LYF)	12,580
Bute Advice Centre	12,902
Ocean Youth Trust Scotland	13,010
Whiteinch Centre Limited	13,750
North East Edinburgh Counselling Service	14,620
RAMH	14,950
Coatbridge Citizens Advice Bureau	15,324
A&M Training	16,000
Fresh Start	16,168
Parent to Parent	16,953
Woodlands Community Development Trust	17,607
Inverclyde Council on Disability Ltd	18,572
Move On	18,862

Notes to the financial statements for the year ended 31 December 2015 (continued)

9. Analysis of charitable expenditure (continued)

Medium Grants (continued)

	£
YMCA Edinburgh	20,000
Edinburgh Food Project	20,268
Greater Easterhouse Supporting Hands	22,000
Signpost	22,000
The Broomhouse Centre	22,008
Hillhouse	22,029
Total Medium Grants	<u>445,157</u>

Large Grants

	£
Financial Fitness Resource Team	62,830
Fresh Start (Scotland)	71,284
PEEK - Possibilities for Each & Every Kid	78,516
North East Sensory Services	94,239
Quarriers	98,218
Total Large Grants	<u>405,087</u>