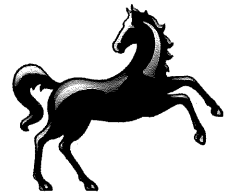


LLOYDS BANK FOUNDATION FOR THE CHANNEL ISLANDS

ANNUAL REPORT AND FINANCIAL STATEMENTS

2016

LLOYDS BANK FOUNDATION
for the Channel Islands



At the heart of funding Channel Islands charities

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REFERENCE AND ADMINISTRATIVE DETAILS

Registered Charity Number	327113
Company Limited by Guarantee	1971241
Registered office	Pentagon House 52-54 Southwark Street London SE1 1UN
Correspondence Address (UK)	Pentagon House 52-54 Southwark Street London SE1 1UN
Correspondence Address (CI)	Sarnia House Le Truchot St Peter Port Guernsey GY1 4EF
Email	JLePoidevin@lloydsbankfoundation.org.uk
Website	www.lloydsbankfoundationci.org.uk
Bankers	Lloyds Bank International Limited 25 New Street St Helier Jersey JE4 8RG
Independent Auditors	PricewaterhouseCoopers LLP, 1 Embankment Place London WC2N 6RH

REFERENCE AND ADMINISTRATIVE DETAILS (cont.)

TRUSTEES

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

Kathryn Le Quesne	Chair From July 2016
John Boothman	Chair to June 2016 – Retired
Patricia Tumelty	Retired December 2016
Advocate Simon Howitt	
Sarah Bamford MBE	
Andrew Dann	
Timothy Cooke OBE	
Michael Starkey	
Jurat David Hodgetts LVO	
Alison Le Feuvre	From October 2016
John Henwood MBE	From January 2017

Membership of Board Committees between 1 January 2016 and up to the date of signing the financial statements were:

Audit Committee

Andrew Dann	Chair
Timothy Cooke OBE	
Jurat David Hodgetts LVO	
Sarah Bamford MBE	

Nomination Committee

Kathryn Le Quesne	Chair
Advocate Simon Howitt	
Timothy Cooke OBE	
Patricia Tumelty	Retired December 2016

Remuneration Committee

Kathryn Le Quesne	Chair
Andrew Dann	
Michael Starkey	
Jurat David Hodgetts LVO	

Executive Director

Johanna Le Poidevin	From February 2016
John Hutchins	Retired March 2016

CHAIR'S REVIEW OF THE YEAR

On behalf of the Board of Trustees, I am pleased to present the annual report and financial statements for the Foundation.

2016 was again a busy and productive year. We approved 30 grants to Jersey and Guernsey (including Alderney) charities. We are piloting the Charity Mentoring scheme through the matching of a colleague from Lloyds Bank International with a grant recipient in the Channel Islands. This is with a view to making further matches in the future should any charities in receipt of a grant also benefit from non-financial and skills-based support to make them more effective and sustainable.

In addition, we held our seminars in January 2017 entitled 'Helping the Channel Islands Prosper', focused on how to strengthen the charitable sector. We hosted over 150 charities and States' members and civil servants across the two events. While our seminar has traditionally given Channel Islands charities the opportunity to increase their skills and to network, this year the Foundation has also taken a lead in promoting networking between the islands' funding organisations. The larger foundations and trusts in Jersey were invited to meet in November 2016 and a similar initiative is being planned for Guernsey in 2017.

Our main focus, however, remained the provision of funding to Channel Islands charities working to relieve disadvantage, whether social, financial, mental or physical. Grants during the year totalled £703,753 (2015: £630,062). This increase reflects the increasing number awarded and increasing size of applications received during the year, and this trend is expected to continue into 2017. A further £55,147 (2015: £47,392) was committed to the matched giving scheme, whereby qualifying fundraising and volunteering by Lloyds Bank staff is matched by the Foundation.

Issue	No of Grants	Grants £
Support for Children and Young People	9	207,159
Support for People with Disabilities	5	148,144
Health including Mental Health	5	123,383
Relationships including caring	2	52,500
Victim Support	1	52,000
Advice and Advocacy	2	37,767
Training, employment and lifelong learning	1	35,000
Community Support	2	20,000
Support for Older People	2	17,800
Offenders / Ex-offenders	1	10,000
Total Grants	30	703,753

Our own revenue comes primarily from Lloyds Banking Group plc. In addition to the covenant income of £460,500 (2015: £460,500) the Foundation received £75,000 (2015: £75,000) to cover a proportion of operating expenses. Charitable activity spend (including support costs) for the year by the Foundation was £845,705 (2015: £778,976). This resulted in a deficit for the year of £300,005 (2015: £221,268), which followed the forecast.

Our minimum funding guaranteed is £460,500 with additional revenue linked to the profitability of the Bank. In the meantime our overall financial position remains strong with reserves at the year-end of £817,907 (2015: £1,117,912). We intend to continue to deplete reserves cautiously to maintain an overall level of grants broadly consistent with 2016.

2016 has also been a year of change. Our executive director, John Hutchins, retired in March after almost ten years' service. On behalf of the Board I would like to thank John for his dedication and commitment to the Foundation, and wish him a well-deserved and happy retirement. Johanna Le Poidevin joined the Foundation as our Executive Director in February. Our Chairman, John Boothman retired from the Board in June, and Patricia Tumelty retired as a trustee from the Board in December. I would like to thank both John and Patricia for their leadership and valuable contribution to the Foundation. I am delighted to have been appointed as Chair in July following two years as a trustee of the Foundation. We have also been fortunate to appoint Alison Le Feuvre in October and John Henwood in January 2017 to the Board.

It only remains to thank Lloyds Bank, and our sister Foundation for England & Wales, for their unstinting support and my colleagues on the Board for their wisdom, commitment and support.



Kathryn Le Quesne
Chair of Trustees

TRUSTEES' REPORT

The Trustees, who are also Directors of the company, present their annual report and the audited financial statements for the year ended 31 December 2016, which have been prepared in accordance with "Accounting and Reporting by Charities Statement of Recommended Practice 2015", FRS 102, the Companies Act 2006, and the Charities Act 2011. The Trustees have taken into consideration the Charity Commission guidance on public benefit.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document and constitution

The Lloyds Bank Foundation for the Channel Islands was incorporated under and is regulated by its Memorandum and Articles of Association dated 13 December 1985 (as altered by Special Resolution on 17 March 1999, 2 December 2013 and 25 March 2014) as a company registered in the United Kingdom and limited by guarantee.

Structure of the Foundation

Of the nine Trustees, there is equal representation from the two main Islands, plus the Chair. The names and roles of Trustees are provided on page 4 of the report.

The legal and accounting records are maintained in London. All administrative details are included on page 3.

Recruitment, appointment, induction and training of Trustees

The Trustees are appointed by the Board of Lloyds Banking Group plc on the recommendation of the Foundation's Nomination Committee.

Applications for trusteeship are sought both through Island-wide networks and open competition. The Nomination Committee, which operates under specific terms of reference delegated from the Trustee Board, comprises at least three serving Trustees who consider nominations and interview candidates. The Foundation Board invites recommendations from the Committee and ratification is sought from Lloyds Banking Group before an appointment is made. Trustees normally serve for a three year period and may be re-appointed for one further three year term. Trustees' skills and outside interests are regularly reviewed, and prior to seeking a new Trustee the Nomination Committee reviews the composition of the Board to identify any specific skills required.

Newly appointed Trustees are provided with a comprehensive pack of induction materials, are normally invited to attend a Board meeting as an observer prior to their appointment, and are encouraged to visit beneficiary charities together with fellow Trustees or the Executive Director.

TRUSTEES' REPORT (cont.)

ORGANISATIONAL STRUCTURE AND DECISION-MAKING

The Board

The full Board of Trustees makes strategy and policy decisions and sets the annual budget. The Chair has authority to approve grants of up to £5,000 per grant between Board meetings but apart from those, all grant decisions are made by the full Board of Trustees.

The Board meets three times a year (or more frequently if required), normally in March (incorporating the AGM), July and November. Meeting venues normally alternate between Guernsey and Jersey.

The Executive Director is responsible for the day-to-day operation of the Foundation and has authority to incur administrative expenditure within the budget set by the Trustees. Initial assessment of applications and visits to applicants are undertaken by the Executive Director who is based in Guernsey.

Board Committees

There are three permanent Committees of the Board, which report fully on their meetings and other activities - the Nomination Committee, Audit Committee and Remuneration Committee each of which comprise a minimum of three Trustees. The Terms of Reference of these Committees are regularly reviewed by the Board.

The role of the **Audit Committee** is to satisfy itself that any financial statements published by the Foundation follow approved accounting principles and give a true and fair view of the Foundation's financial position. This includes examination and review of the Foundation's annual financial statements with the auditors prior to consideration by the full Board, and examination and review of reports prepared by the Lloyds Banking Group internal audit function. The Committee's remit also includes overseeing the Foundation's risk management procedures and monitoring investments held by the Foundation.

The Committee meets annually, to consider the report of the auditors and the annual report and financial statements prior to their presentation to the full Board. All members of the Committee normally attend meetings. The Committee satisfies itself as to the auditors' independence.

The role of the **Remuneration Committee** is to make recommendations to the Trustees concerning the broad policy framework for remuneration and the year-end review of Foundation staff. It determines the remuneration package and terms and conditions of the Executive Director (at present the sole paid employee) on appointment and recommends to Trustees her salary for the forthcoming year. Pay setting is calculated by the research on market indicators.

TRUSTEES' REPORT (cont.)

ORGANISATIONAL STRUCTURE AND DECISION-MAKING (cont.)

Board Committees (cont.)

The role of the **Nomination Committee** is to make recommendations to Lloyds Banking Group Board and the Board of Trustees on the appointment of new Trustees, giving due consideration to the balance of skills, interests and experience on the Board of Trustees. The process for the appointment of new Trustees is described, above, in the section headed "Recruitment, appointment, induction and training of Trustees".

Related parties

The Foundation is related to Lloyds Banking Group plc and connected to the Lloyds Bank Foundations for England & Wales, Halifax Foundation for Northern Ireland and the Lloyds TSB Foundation for Scotland. A new Bank of Scotland Foundation was established in 2010. See Note 13 for details of transactions with these connected charities and related parties.

Each Foundation is directed by its own independent Board of Trustees.

Risk management

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- An annual budget approved by the Trustees
- Regular consideration by the Trustees of financial results, variance from budgets
- Delegation of authority and segregation of duties
- Identification and management of risks
- Approval of grants by the Trustees

In respect of operational practices, a review of risks facing the Foundation is undertaken by the Board. Risks identified are prioritised in terms of potential impact and likelihood of occurrence, and the Trustees confirm that systems or procedures are in place to mitigate the significant risks identified. The review incorporates examination of the adequacy of the Foundation's internal controls. It is recognised that risk management is an ongoing activity involving all Trustees and staff, and is established as an agenda item for the Board and Audit committee.

The Trustees recognise that there is an increased risk associated with virtually all the income arising from a single source, the Lloyds Banking Group plc. The current funding agreement sets a floor for current and future year funding (£460,500). The Board of Trustees has agreed in principle to deplete reserves cautiously in order to maintain grant levels at an aggregate sum broadly in line with the trend of recent years, resulting in deficits of expenditure against income. This will cause a gradual reduction in reserves over the next few years. The final decision to convert the charity's limited voting shares to ordinary shares, will come at Lloyds Banking Group Plc's Annual General Meeting on 11 May 2017. The Foundation board must then decide how best to profit from this windfall. Several factors must be taken into consideration such as the likelihood that the share value could rise, and, conversely, the risks associated with failing to spread our investment risk. The Board will discuss and decide the best policy once the conversion takes place.

TRUSTEES' REPORT (cont.)

OBJECTIVES AND ACTIVITIES

The objects of the Foundation, as set out in the Memorandum of Association, are as follows:

The Lloyds Bank Foundation for the Channel Islands is established to do anything which is a charitable purpose according to the laws of England and Wales from time to time principally in, but not limited to, the Channel Islands including in particular (but without prejudice to the generality of the foregoing):

To advance education and training in all aspects of knowledge by means of (but not limited to) the making of grants, including the establishment of scholarships and prizes, and other like awards;

To advance scientific or medical research, on the condition that all useful results of such scientific or medical research are published, and education in scientific or medical research by means of (but not limited to) the making of grants, including the establishment of scholarships and prizes, and other like awards; and

To promote the provision of facilities in the interest of social and community welfare for recreation and leisure time occupation and enjoyment of the arts with the object of improving the conditions of life of people who are disadvantaged by youth, age, infirmity or disablement, poverty or social and economic circumstances.

Aims, objectives, strategies and significant activities

The aims of the Foundation are encapsulated in the mission statement:

The Foundation's mission is to support charitable organisations which help people, especially those who are disadvantaged, to play a fuller role in communities throughout the Channel Islands.

The Trustees' primary objective for the year was to continue to provide grants to support charities meeting a wide range of needs in the islands, in accordance with the Foundation's objects and through the following grant-making programmes:

Jersey	A responsive grant-making programme to support charities with beneficiaries in the Bailiwick of Jersey.
Guernsey	A responsive grant-making programme to support charities with beneficiaries in the Bailiwick of Guernsey, including Alderney and Sark.
Channel Islands-wide and UK	A responsive grant-making programme to support charities working across the Channel Islands as a whole and, normally in conjunction with the sister Lloyds Bank Foundations, in the UK.
Matched Giving Scheme	A scheme open to members of staff of Lloyds Banking Group plc based in the Channel Islands, to match fundraising efforts or voluntary time given to charities within the Foundation's guidelines.

TRUSTEES' REPORT (cont.)

OBJECTIVES AND ACTIVITIES (cont.)

Aims, objectives, strategies and significant activities (cont.)

A second objective was to continue to invest in the infrastructure of the voluntary sector through the provision of training and seminars.

A business plan covering 2014 – 17 was completed and approved by Trustees in 2014. Trustees and the Executive Director are due to meet in the first quarter of 2017 for a Strategy Session.

In reviewing our aims, objectives and planning for future activities, the Trustees have taken into account the Charity Commission's general guidance on public benefit. The Trustees always ensure that the activities undertaken are in line with the charitable objectives and aims of the Lloyds Bank Foundation for the Channel Islands.

ACHIEVEMENTS AND PERFORMANCE

A review of the activities of the Foundation during the financial year is presented in the Chair's Review of the Year on page 5. The grant expenditure for the year, excluding Matched Giving, amounted to £703,753 (2015: £641,236). The Trustees' assessment is that the Foundation achieved all of its objectives set for 2016 through its grant making activities. The full list of grants agreed is in Note 14 on pages 32 and 33.

All grants during 2016 fell within one or other of the two main objects of the Foundation: Education & Training, or Social & Community Needs.

Grants	£
Grants in Jersey	355,343
Grants in Guernsey	348,410
Total Grants	703,753
Other activities	
Staff Matched Giving Scheme	55,147
Total other activities	55,147
Total Grants and Matched Giving for 2016	758,900

TRUSTEES' REPORT (cont.)

FINANCIAL REVIEW

Financial performance

Our own revenue comes primarily from Lloyds Banking Group plc. In addition to the covenant income of £460,500 (2015: £460,500) the Foundation received £75,000 (2015: £75,000) to cover a proportion of operating expenses. Charitable activity spend (including support costs) for the year by the Foundation was £845,705 (2015: £778,976). This resulted in a deficit for the year of £300,005 (2015: £221,268), which was less than planned, reflecting the marginally lower size of grants approved than expected. Our minimum funding guaranteed is £460,500 with additional revenue is linked to the profitability of the Bank.

Financial position

At 31 December 2016 the Foundation held reserves totalling £817,907 (2015: £1,117,912).

Grants

The Foundation's policy is to support registered charities or those accorded charitable status by the Islands' tax authorities to help disabled or disadvantaged people to play a fuller role in communities throughout the Islands.

Guidelines are published and are also available on the Foundation's website www.lloydsbankfoundationci.org.uk which set out the range of activities eligible for consideration. Currently the priorities identified by the Trustees as ones they wish to focus on within their overall objectives cover social and community needs with a particular emphasis on helping disabled people to lead independent lives, the prevention of substance misuse and rehabilitation of sufferers, homelessness - in particular helping to get homeless people back into mainstream society, and the needs of disadvantaged children and their parents.

Applications are reviewed against criteria to determine if they fit within the policy of the Foundation, to assess the financial viability of the applicant charity and of the particular project, and the capacity of the charity to complete the proposed work.

Grants are agreed by the Trustees for a one, two or three year period, and monitored on an annual basis.

The Foundation has adopted a policy of grant recognition for accounting purposes which recognises the total grant in the year it was approved in accordance with the criteria set out on page 24. This increases the transparency in terms of grant commitment and means that should the income be reduced in any one year, then the charitable expenditure can also be reduced. In the medium term, if the financial position of the Foundation deteriorated significantly over a number of years then changes in approach to grants and reserves procedures would be implemented in accordance with the policy below.

TRUSTEES' REPORT (cont.)

FINANCIAL REVIEW (cont.)

Investments

The Trustees did not place surplus funds into any investments or on short term deposits in 2016. This is being reviewed for 2017.

Reserves

As at the 31 December 2016 the Foundation's unrestricted reserves were £817,907 (2015: £1,117,912). The current year deficit was expected due to receipt of the minimum income level under the covenant and increased grant expenditure. The Trustees have also agreed to utilise reserves for the next two years to make up for the fall in external funding, however sufficient reserves will be maintained to ensure:

- a) a cushion against a potential future reduced level of income, so that the Foundation can continue to operate; and
- b) the settlement of non-grant expenditure before the next year's income is received (for cash flow purposes).

The Trustees have maintained the policy of retaining sufficient reserves at the year end to cover 12 months' non – grant expenditure for contingency purposes. Currently the balance of reserves stands at £817,907, 12 times greater than the reserves policy.

Over time, income from Lloyds Banking Group plc is expected to increase in line with profitability. To the extent this is delayed, to maintain reserves policy the Foundation will adjust expenditure accordingly.

FUTURE INCOME

In December 2013 the Foundation entered into a new nine year rolling agreement with Lloyds Banking Group. From 2014, the Foundation is to receive 0.01535% of the Group's profits/losses, averaged over three years, subject to a minimum amount of 3.07% of £15 million (£460,500) and a maximum amount of 3.07% of £50 million (£1,535,000). This secures the Foundation's funding over the long term, albeit at a lower level than in recent years. The anticipated 2017 funding from Lloyds Banking Group plc is £460,500, per the covenant and an amount to cover a proportion of operating costs, the value of which is still to be confirmed.

TRUSTEES' REPORT (cont.)
PLANS FOR FUTURE PERIODS

Future activities

The Foundation will continue to make grants to charities helping disadvantaged people play a fuller role in the community through the same grant-making programmes established in 2011, and will continue to support the voluntary sector through the provision of information and training. The Foundation is committed to delivering its core objectives and supporting those charities with sustainable activities, measured against identifiable outcomes.

The Trustees have agreed the following objectives:

1. To allocate the Foundation's income in support of a wide range of charitable activities helping disabled or disadvantaged people throughout the Channel Islands.
2. To monitor all grants and to evaluate and learn from grants made, to consider the Foundation's future grant-making and policy development in the voluntary sector as appropriate.
3. To continue to invest in the infrastructure of the voluntary sector in the Islands, providing opportunities for Trustees and paid staff in the Islands to attend relevant training events, and to organise an annual seminar on a subject of interest to Trustees and paid staff in the voluntary sector.
4. To continue to work closely with the other Lloyds Bank Foundations and The Bank of Scotland Foundation.
5. To operate in an open, transparent and accessible manner for all applicants and potential applicants and to operate efficiently and cost-effectively.
6. To liaise with the Lloyds Banking Group plc based in the Bailiwicks of Guernsey and Jersey to consider joint projects which may be mutually beneficial, and within the guidelines of the Channel Islands Foundation.

TRUSTEES' REPORT (cont.)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of Lloyds Bank Foundation for the Channel Islands for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

The law applicable to charities requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing the 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 whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in 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. 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.

In so far as the Trustees are aware:

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

TRUSTEES' REPORT (cont.)

INDEPENDENT AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Foundation will be proposed at the annual general meeting.

This report was approved by the Board of Trustees on 29 March 2017 and signed on their behalf by:

A handwritten signature in dark ink, appearing to read 'K Le Quesne', is positioned above the printed name and title.

Kathryn Le Quesne
Chair of Trustees

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS BANK FOUNDATION FOR THE CHANNEL ISLANDS

Report on the financial statements

Our Opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of its incoming resources and application of resources, including its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (FRS102); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements (the "Annual Report"), which are prepared by Lloyds Bank Foundation for Channel Islands comprise:

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

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

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

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Trustees' Annual Report. We have nothing to report in this respect.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS BANK FOUNDATION FOR THE CHANNEL ISLANDS (cont.)

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 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.

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.

Other information in the Annual Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements.

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 Trustees' Responsibilities Statement set out on page 15, 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 charity's members and trustees as a body in accordance with 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS BANK FOUNDATION FOR THE CHANNEL ISLANDS (cont.)

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 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.

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. With respect to the Trustees' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 March 2017

PricewaterhouseCoopers LLP is eligible to act, and has been appointed as auditor under section 144(2) of the Charities Act 2011:

- (a) The maintenance and integrity of the Lloyds Bank Foundation for Channel Islands 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.

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 DECEMBER 2016

	2016 Total Funds £	2015 Total Funds £	Note
Income from:			
Covenanted income	535,500	535,500	13b
Investment income	2,766	14,774	13b
Donations	7,434	7,434	2
Total	545,700	557,708	
Expenditure on:			
Charitable activities	845,705	778,976	4a
Total	845,705	778,976	
Net (expenditure)	(300,005)	(221,268)	
Net movement in funds	(300,005)	(221,268)	
Reconciliation of funds			
Total funds brought forward	1,117,912	1,339,180	
Total funds carried forward	817,907	1,117,912	

The statement incorporates the Income and Expenditure account.

All recognised gains and losses have been included in the Statement of Financial Activities and the amounts included are derived from the continuing activities of the Foundation.

There is no material difference between the net movement in funds stated above and their historical cost equivalents.

The Foundation's income is unrestricted and available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.

The notes on pages 24 to 33 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2016

Company Registration 1971241

	Total funds 2016 £	Total funds 2015 £	Note
Fixed assets:			
Tangible assets	1,226	1,626	6
Total fixed assets	1,226	1,626	
Current assets:			
Debtors	3,665	100	8
Cash at bank and in hand	1,002,934	1,350,431	
Total current assets	1,006,599	1,350,531	
Liabilities:			
Creditors: Amounts falling due within one year	(179,918)	(204,245)	9
Net current assets	826,681	1,146,286	
Total assets less current liabilities	827,907	1,147,912	
Creditors: Amounts falling due after more than one year	(10,000)	(30,000)	10
Total net assets	817,907	1,117,912	
The funds of the charity:			
Unrestricted funds	817,907	1,117,912	11
Total charity funds	817,907	1,117,912	

The financial statements on pages 20 to 23 were approved by the Trustees on 29 March 2017 and signed on their behalf by:



Kathryn Le Quesne
Chair of Trustees

The notes on pages 24 to 33 form part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	2016	2015	Further details
	£	£	
Cash flows from operating activities			
Net cash used in operating activities	(350,263)	(405,798)	(A)
Cash flows from investing activities:			
Interest from investments	2,766	14,774	
Purchase of property, plant and equipment	-	(776)	
Net cash provided by investing activities	2,766	13,998	
Change in cash and cash equivalents in the reporting year	(347,497)	(391,800)	
Cash and cash equivalents at the beginning of the reporting year	1,350,431	1,742,231	
Cash and cash equivalents at the end of the reporting year	1,002,934	1,350,431	(B)

(A) NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016	2015
	£	£
Net expenditure for the reporting year	(300,005)	(221,268)
Adjustments for:		
Depreciation	400	143
Interest from investments	(2,766)	(14,774)
(Increase) / decrease in Debtors	(3,565)	4,059
(Decrease) in Creditors	(44,327)	(173,958)
Net cash used in operating activities	(350,263)	(405,798)

(B) ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016	2015
	£	£
Cash in hand	1,002,934	1,350,431
Total cash and cash equivalents	1,002,934	1,350,431

The notes on pages 24 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom, including the Statement of Recommended Practice - Accounting and Reporting by Charities 2015 (SORP 2015), FRS 102 and in accordance with the Companies Act 2006 and Charities Act 2011, using consistently applied accounting policies.

Lloyds Bank Foundation for the Channel Islands meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Fund accounting

The Foundation's unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.

Valuation of assets

Tangible assets are valued at historic cost less accumulated depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful lives of the assets concerned. The rate used for computer equipment and software is 33% per annum. The rate used for office equipment is 10% per annum.

Income

All income is recognised in the Statement of Financial Activities (SOFA) when the Foundation is legally entitled to the income, receipt is certain and the amount can be quantified with reasonable accuracy.

Donated services

The Auditors are appointed on an honorary basis. The value of the audit has been included as a donated receipt within other Incoming Resources and as a donated service within Governance Costs. Donated services are recognised, at the value that the Foundation would pay for these services where this can be quantified and a third party is bearing the cost.

Recognition of expenditure

All expenditure is included on an accruals basis and is recognised where there is a legal or constructive obligation to pay.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

1. ACCOUNTING POLICIES (cont.)

Taxation

The Foundation is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Foundations primary objects, if these profits are applied solely for charitable purposes.

Pension costs

The Foundation does not participate in any pension schemes.

Grants payable

Grants, both single and multi-year, are recognised in the financial statements as liabilities once they have been approved by the Trustees, the recipients have been notified and there are no further terms and conditions to be fulfilled which are within the control of the Foundation. In these circumstances there is a valid expectation by the recipients that they will receive the grant.

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 (including governance costs) are allocated across charitable activities on the basis of estimated time spent by staff.

2. DONATIONS

	2016	2015
	£	£
Donated Services from PwC – Audit	7,434	7,434

NOTES TO THE FINANCIAL STATEMENTS (cont.)

3. GRANTS PAYABLE

The table below shows reconciliation between grant amounts approved during the year and amounts paid during the year.

	2016 £	2015 £
Reconciliation of grants payable		
Amounts Outstanding at 1 January	215,289	370,441
Grants approved in the year*	703,753	640,062
Grants cancelled	-	(10,000)
Grants payable in the year	703,753	630,062
Grants paid during the year	(745,563)	(785,214)
Amounts outstanding at 31 December	173,479	215,289

* Does not include Matched Giving

A full list of Approved Grants for 2016 is set out in Note 14 on page 32 and 33.

4. ANALYSIS OF RESOURCES EXPENDED

a) Charitable activities

	Grants £	Support Costs £	2016 £	2015 £
Grants Programmes				
Jersey	355,343	38,724	394,067	468,881
Guernsey	348,410	38,724	387,134	233,299
Enhance	-	-	-	2,984
	703,753	77,448	781,201	705,164
Other activities				
Charity achievement awards	-	-	-	9,000
Matched Giving	55,147	8,607	63,754	55,495
	55,147	8,607	63,754	64,495
Investment in infrastructure				
Training and seminars	-	750	750	9,317
Total	758,900	86,805	845,705	778,976

Support costs have been allocated on the basis of time spent on charitable activities

NOTES TO THE FINANCIAL STATEMENTS (cont.)

4. ANALYSIS OF RESOURCES EXPENDED (cont.)

b) Support costs

	2016	2015
	£	£
Staff costs	45,325	38,611
Governance costs	21,150	20,216
Other costs	20,330	31,521
Total	86,805	90,348

c) Staff costs

The monthly average number of persons employed by the Foundation during the year was one (2015: one). FTE was 1.0 (2015: 0.7) - Executive Director.

	2016	2015
	£	£
Wages and salaries	42,745	36,236
Social Security costs	1,830	2,375
Other costs	750	-
Total	45,325	38,611

d) Governance costs

	2016	2015
	£	£
Company Secretary, Finance and Administration	9,500	9,500
Audit fee (Donated service)	7,434	7,434
Trustee costs	4,216	3,282
Total	21,150	20,216

Company Secretary and Finance costs include £8,000 payable to the Lloyds Bank Foundation for England & Wales in respect of time spent by that Foundation's Company Secretary and Finance department for administration of the Foundation for the Channel Islands. The remaining £1,500 represents general administration support given by one individual.

The Auditors are appointed on an honorary basis. The value of the audit has been included in Incoming Resources as a Donated services and as Audit Fee in Governance costs.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

4. ANALYSIS OF RESOURCES EXPENDED (cont.)

The Trustees, who are also the directors of the Company, received no remuneration during the year. Seven of the nine Trustees received £4,216 in reimbursed expenses relating to travel, subsistence and other expenses (2015: £3,282 seven of nine Trustees).

5. EMPLOYEE EMOLUMENTS

No employee received emoluments in excess of £60,000.

6. TANGIBLE ASSETS

	Computer equipment and software £	Office equipment £	Total 2016 £	Total 2015 £
Cost				
At beginning of the year	6,054	1,435	7,489	6,713
Additions	-	-	-	776
At end of the year	6,054	1,435	7,489	7,489
Accumulated Depreciation				
At beginning of the year	5,278	585	5,863	5,720
Depreciation	256	144	400	143
At end of the year	5,534	729	6,263	5,863
Net book value at beginning of the year	776	850	1,626	993
Net book value at end of the year	520	706	1,226	1,626

7. INVESTMENTS

Limited Voting Shares

The Foundation held 2,423,684 limited voting shares of 10p each of Lloyds Banking Group plc at 31 December 2016. The Foundation cannot sell these shares in the open market and as a result the shares have been valued at nil market value. The shares have no rights to dividend, have voting rights only in limited circumstances, and may be converted into ordinary shares of Lloyds Banking Group plc in either of the following circumstances.

- a) Where a Deed of Covenant is in force in favour of a holder of limited voting shares, on the day following the termination of that Deed of Covenant in consequence of the expiry of notice of termination given by Lloyds Banking Group plc ("the Group") or the commencement of the winding-up of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

7. INVESTMENTS (cont.)

For this purpose, "Deed of Covenant" includes each of the three Deeds of Covenant and, in relation to each (Lloyds Bank Foundation for the Channel Islands, Lloyds Bank Foundation for England & Wales, Lloyds Bank Foundation for Northern Ireland) extends to include any agreement or agreements substituted for that Deed of Covenant, in favour of the holder of limited voting shares benefited thereby or any transferee of that holder's limited voting shares, in terms considered by the directors of the Group to be no less favourable (taking such agreements together if more than one) to the payee or payees under the new agreement or agreements. Lloyds TSB Foundation for Scotland also has a Deed of Covenant.

- b) If an offer is made to ordinary shareholders of the Group to acquire the whole or any part of the issued share capital of the Group and the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting becomes or is certain to become vested in the offeror and/or persons controlled by and/or acting in concert with the offeror.

The shares so converted will carry the right to receive dividends and other distributions declared, made or paid on the ordinary share capital of the Group by reference to a record date on or after the conversion date, and will rank pari passu in all other respects with the then existing fully paid ordinary shares.

An agreement in principle has been made between all four Foundations (Note 13) and Lloyds Banking Group Plc to convert each charity's limited voting shares to ordinary shares with no impact on the covenant. Formal confirmation of this transfer will occur at the Annual General Meeting in May 2017. For Lloyds Banking Group Foundation for the Channel Islands, the 2,423,684 shares held will be priced at market value.

The Trustees have assessed the potential income in the value of the conversion represents a non-adjusting event occurring after the end of the reporting period. This will be recognised once the share ownership is transferred in 2017.

8. DEBTORS

	2016	2015
	£	£
Prepayment	3,665	100
Total	3,665	100

NOTES TO THE FINANCIAL STATEMENTS (cont.)

9. CREDITORS: amounts falling due within one year

	2016 £	2015 £
Grants outstanding (Note 3)	163,479	185,289
Accruals	7,927	9,401
Other creditors	8,512	9,555
Total	179,918	204,245

10. CREDITORS: amounts falling due after one year

	2016 £	2015 £
Grants outstanding (Note 3)	10,000	30,000
Total	10,000	30,000

11. MOVEMENT IN FUNDS

	Balance at 1 Jan 2016 £	Movement in resources Incoming £	Outgoing £	Balance at 31 Dec 2016 £
Unrestricted Funds	1,117,912	545,700	(845,705)	817,907

The Foundation has no restricted income within incoming resources.

12. GUARANTEE COMPANY

The Foundation is a company limited by guarantee not having a share capital. The liability of the members is limited by the Memorandum of Association to £1 each. The number of Trustees who are also members at 31 December 2016 was nine (2015: nine).

13. RELATED PARTY TRANSACTIONS

a) Connected Foundations

The following Foundations are connected, having common and related objects:

Lloyds Bank Foundation for England & Wales
Pentagon House,
52-54 Southwark Street,
London SE1 1UN

NOTES TO THE FINANCIAL STATEMENTS (cont.)

13. RELATED PARTY TRANSACTIONS (cont.)

a) Connected Foundations (cont.)

Lloyds TSB Foundation for Scotland
Riverside House
502 Gorgie Road
Edinburgh EH11 3AF

Halifax Foundation for Northern Ireland
2nd Floor, 14 Cromac Place
Gasworks
Belfast BT7 2JB

Bank of Scotland Foundation
The Mound
Edinburgh
EH1 1YZ

The Foundation paid £8,000 (2015: £8,000) to Lloyds Bank Foundation for England & Wales in respect of time spent by that Foundation's Company Secretary for administration of the Foundation for the Channel Islands.

b) Related company

The Foundation is related to Lloyds Banking Group plc as it derives its revenue primarily from Lloyds Banking Group plc. In December 2013 a new funding agreement was entered into with Lloyds Banking Group plc and from 2014 the Foundation is to receive a share of Lloyds Banking Group plc profits subject to a minimum amount of £460,500 and a maximum amount of £1,535,000 as described on page 13.

The following transactions took place with Lloyds Banking Group plc, and the following balances were held with Lloyds Banking Group plc at the year-end:

In addition to the covenant income of £460,500 (2015: £460,500) the Foundation received £75,000 (2015: £75,000) to cover a proportion of operating expenses.

The Foundation received interest income of £2,766 (2015: £14,774) from Lloyds Banking Group plc.

At 31 December 2016 there was a cash balance with Lloyds Banking Group plc of £1,002,934 (2015: £1,350,431).

Salary and social security costs of £10,287 (2015: £57,589) were paid by Lloyds Bank International Limited and recharged to the Foundation. This was comprised of accrued prior year expenditure of £Nil (2015: £17,850), and current year costs of £10,287 (2015: £36,811). There is no processing fee charged for this service.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

13. RELATED PARTY TRANSACTIONS (cont.)

c) Transactions

During the year ended 31 December 2016 the Foundation made a grant to GO Giving Opportunities to Guernsey Young People for £35,000 over one year. Trustee Sarah Bramford was a Board member during the year.

During the year ended 31 December 2016 the Foundation made a grant to Autism Jersey for £50,000 over three years. Trustee Timothy Cooke was a Board member during the year.

During the year ended 31 December 2016 the Foundation made a grant to Guernsey Voluntary Service for £12,800 over two years. Trustee Michael Starkey was a Board member during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont.)

14. LIST OF APPROVED GRANTS FOR 2016

Guernsey	£	
Jakes Heartfelt Funds	5,000	To support two families with flights, accommodation and laptops for children to be able to communicate with their families and do school work whilst they are in care
Choices LBG	22,474	The salary costs of additional workers
Guernsey Alcohol Advisory Service LBG	40,000	The salary for a full time worker to run and develop the rehabilitation dry house
Home Start Guernsey	25,000	The costs of support staff, premises and volunteer training
Guernsey Bereavement Service	15,000	The salary of the Service Co-ordinator
Autism Guernsey	39,299	The salary of the Autism Services Manager
GO Giving Opportunities to Guernsey Young People	35,000	The rent of the new charity shop
Guernsey Voluntary Service	12,800	The salary of the part time Co-ordinator
Health Information Guernsey	20,000	The rent of the new charity shop
St Saviours Community Centre	10,000	The refurbishment of washrooms in the lower section of the building
Wigwam Support Group	22,633	The salary of the Family Support Worker
Bailiwick of Guernsey Methodist Circuit	5,000	Capital costs of the Hall Access Scheme
Creative Learning in Prison (CLIP)	10,000	New workshop machinery for prisoners and a wooden building
Guernsey Association for Mental Health (Guernsey Mind)	46,000	Salary of the Employment Support Co-ordinator
Youth Commission for Guernsey and Alderney	40,204	The salary costs of the Volunteer Manager
Total Approved Grants for Guernsey – 15 donations	348,410	

NOTES TO THE FINANCIAL STATEMENTS (cont.)

14. LIST OF APPROVED GRANTS FOR 2016 (cont.)

Jersey	£	
Every Child our Future	50,000	The salary of the Manager and marketing costs
The Aspire Charitable Trust	30,000	The installation of a lift at the premises in Beresford Street
Community Savings Ltd	10,000	To support the overall aims, operation, and customers with the provision of financial services and emergency funding
Communicare Pre School	18,839	Refurbishing toilets and kitchen area, and replace existing floor of the main pre-school area
Maison Des Landes Trust	5,000	The cost of maintaining the fabric of the hotel buildings
Autism Jersey	50,000	The salary of the Chief Operations Officer
Centre Point Trust	25,000	The cost of delivering a full Level 3 Diploma in Play Work (NVQ) accredited for a cohort of 14 learners
Grace Trust Jersey	10,000	The cost of the monthly grocery distribution to families
Jersey Action Against Rape	52,000	The salary of the Manager
Little Oaks Nursery	5,000	Increasing the size of the current play space by utilising the space at the back of the garden by installing a suitable surface and installing an outside classroom
Relate Jersey	37,500	The cost of an Outreach Service at the Bridge
Jersey Child Care Trust	23,845	The salary of a specialist support worker
Jersey Citizens Advice Bureau Limited	17,767	The salary of the Money Advice Worker
Radio Lions Hospital Broadcasting Association	4,909	The cost of equipment and engineering to re-establish the Hospital Radio Broadcasting Studio
St Peter's Youth Club	15,483	The salaries of the Sessional Youth Workers
Total Approved Grants for Jersey – 15 donations	355,343	