

Lloyds TSB Foundation for England and Wales

Annual Report and Accounts 2006

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2006

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Appendix A – List of Grants

Separate document attached

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

ANNUAL REPORT AND ACCOUNTS 2006

TRUSTEES' REPORT

The Trustees present their annual report and the audited accounts for the year ended 31st December 2006.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Charity	Number 327114
Company Limited by Guarantee	Registered Number 1971242
Registered office	3rd floor, 4 St Dunstan's Hill, London EC3R 8UL
Correspondence address	PO Box 46156, 3rd Floor, 4 St Dunstan's Hill, London EC3R 8WQ
Website	www.lloydstsbfoundations.org.uk
E-mail	guidelines@lloydstsbfoundations.org.uk
Telephone	0870 411 1223
Fax	0870 411 1224
Minicom	0870 411 1225
Bankers	Lloyds TSB Bank plc, City Office, PO Box 72, Bailey Drive, Gillingham Business Park, Gillingham, Kent ME8 0LS
Auditors	PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, London SE1 9SY

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

Trustees

The following Trustees served between 1st January 2006 and 31st December 2006, as indicated:

<u>Name</u>	<u>Role and dates if applicable</u>	<u>Geographical grant-making responsibility</u>
Prof Sir Robert Boyd	Chairman	England and Wales-wide
Ann Curno	Deputy Chairman	England and Wales-wide
Vicki Andrew MBE		Yorkshire and North East
Prof Clair Chilvers		Eastern and East Midlands
Sarah Cooke OBE	Appointed 1 st January 2006	Greater London
Irene Evison		Wales
John Hughes		South East
Anne Parker CBE		North West
Jane Raimes		South West
Gareth Roberts		England and Wales-wide
Karamjit Singh CBE		England and Wales-wide
John R L Smith	Appointed 1 st January 2006	West Midlands

Audit Committee	Gareth Roberts Vicki Andrew John Hughes Jane Raimes	Chairman
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Nomination Committee	Prof Sir Robert Boyd Ann Curno Anne Parker John R L Smith	Chairman
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Remuneration Committee	Prof Sir Robert Boyd Ann Curno John Hughes Prof Clair Chilvers	Chairman
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Senior Staff

Chief Executive	Linda Kelly
Company Secretary	Christine Muskett resigned May 2006 Tim Read (fixed term appointment – May 2006 to September 2006)
Director of Finance and Administration & Company Secretary	Cedric Burke appointed September 2006

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document and constitution

The Lloyds TSB Foundation for England and Wales was incorporated under and is regulated by its Memorandum and Articles of Association dated 13th December 1985 as a company limited by guarantee.

Objects

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

The Foundation is established to do anything which is a charitable purpose, 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.

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.

Recruitment and appointment of Trustees

The Trustees, who are also directors of the company, are as listed on page 2. Their appointments are made by the Board of Lloyds TSB Group plc on the recommendation of the Foundation's Nomination Committee. The support of the Foundation Board of Trustees is normally sought prior to recommendations being put forward.

The Nomination Committee operates under terms of reference and has been delegated certain functions from the Trustee Board. Trustees' skills and interests are regularly reviewed, and prior to seeking a new Trustee the Nomination Committee specifically reviews the composition of the Board to identify any specific skills required. Applications for trusteeship are sought by public advertisement, normally in national broadsheets, and through personal contacts. Interviews are held with all members of the Nomination Committee and the Chief Executive.

Trustees serve for a three year period, may be re-appointed for a further three year period, and exceptionally for a third term.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

Induction and training of Trustees

Newly appointed Trustees are provided with a comprehensive pack of induction materials, including the Foundation's Memorandum and Articles of Association, have an induction on meeting with the Chief Executive and Company Secretary, are invited to attend a Board meeting as an observer prior to their appointment taking effect, and also meet the grant-making staff with whom they will be working most closely. New Trustees are encouraged to visit beneficiary charities together with a member of staff. A mentor is appointed from among the serving Trustees, to support newly appointed Trustees at the beginning of their term of office. Guidelines are provided for the mentoring relationship.

Trustees are invited to highlight any particular areas of interest in which they would value specific training, and this is a standing item for discussion during the mid-term reviews held by the Chair and Chief Executive. Details of Trustee training events run by external organisations such as NCVO (National Council for Voluntary Organisations) are routinely circulated to Trustees.

Organisational structure and decision-making

The Lloyds TSB Foundation for England and Wales is one of the UK's largest grant-making trusts. Our mission is to be a leading grant maker supporting and working in partnership with charitable organisations which help people, especially those who are disadvantaged or disabled, to play a fuller role in communities throughout England and Wales.

There are four independent Lloyds TSB Foundations (for England and Wales, Scotland, Northern Ireland and the Channel Islands), which were established at the time of TSB Group's flotation in 1985 to preserve in a permanent framework the TSB's traditional role of contributing to the life of the community.

The four Foundations were endowed with 78,947,368 limited voting shares which now represent 1.4% of Lloyds TSB Group's share capital. In lieu of dividend on the shareholding the four Foundations receive a covenanted income equal to 1% of the Group's adjusted pre-tax profits, averaged over three years. The Foundation for England and Wales receives 72.12% of this income under Deed of Covenant, in proportion to its shareholding of 56,936,842 of the limited voting shares.

The Foundation has an extensive local and regional presence by both Trustees and members of staff. This enables the Foundation to respond effectively to local social needs.

The Board

The Board of twelve Trustees meets quarterly, in March, June, September and December, to approve grants and to determine the Foundation's policies. Eight of the twelve Trustees are responsible for recommendations in respect of grants to charities within their respective regions. The remaining four Trustees make recommendations in respect of grants to charities whose work benefits England and Wales as a whole. Appropriate levels of delegated authority are in place; the authority of the full Board is required for grants of £25,001 and above and for all grants from the International Funding Project.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

The Board undertook an evaluation of its effectiveness, consisting of a questionnaire completed by all Trustees and made a number of changes as a result.

Board Committees

There are three permanent Committees of the Board, which have Terms of Reference approved by the Board, to which they report on their meetings and other activities.

The role of the **Audit Committee** is to satisfy themselves that any financial statements published by the Foundation follow approved accounting principles and give a true and fair account of the Foundation's affairs. This includes examination and review of the Foundation's annual accounts with the auditors prior to consideration by the full Board, and examination and review of any reports prepared by the Lloyds TSB Group internal audit function. The Committee's remit also covers the Foundation's approach to Risk Management.

The role of the **Nomination Committee** is to make recommendations to Lloyds TSB Group Board on the appointment of new Trustees, giving due consideration to the balance of skills, interests and experience on the Board of Trustees. The support of the Board of Trustees is normally sought prior to recommendations being put forward to Lloyds TSB Group Board.

The role of the **Remuneration Committee** is to be aware of and advise on any proposals with regard to reward strategy and pay policy within the Foundation and the policy for and scope of pension arrangements. It is also kept fully informed on their implications for the future running of the organisation. It ensures that contractual terms on termination of employment, and any payments made, comply with the approved policies of the Foundation.

It also considers the performance of the Chief Executive and determines and agrees, with the Board of Trustees, the broad framework and policy for the remuneration package of the Chief Executive.

Related Parties

The Foundation is related to Lloyds TSB Group plc and connected to the Lloyds TSB Foundations for Scotland, for Northern Ireland and for the Channel Islands. See Note 14 for details of transactions with these connected charities and related parties.

Each Foundation is directed by its own independent Board of Trustees. The Chairmen of the four Foundations meet twice a year accompanied by the senior executives of the four Foundations, to ensure a degree of commonality between the work of the four Foundations but each Board of Trustees has full power to determine its own policies and practices.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

Risk Management

In respect of operational practices, a review of risks facing the Foundation was reviewed by the Board in June. The review covered strategic, operational, financial, personnel, IT and reputation risks. The change in nature of the Foundation as a direct employer was discussed. 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 incorporated examination of the adequacy of the Foundation's internal controls. It is recognised that risk management is an on-going activity involving all Trustees and staff, and is established as an annual agenda item for the Board.

The Trustees consider that the Foundation is not exposed to any significant financial risks in relation to the use of financial instruments as its financial assets are held as cash in bank and it has no debt. The Foundation is not exposed to credit risk as debtors are insignificant; to foreign exchange risk as all the transactions are denominated in sterling and price risk is not relevant given the nature of the Foundation's activities.

Reserves

The Trustees have agreed a policy of retaining sufficient reserves at the year end to cover:

- a) anticipated grants to be approved and non-grant expenditure, before the next year's income is received (for cash flow purposes)
- b) anticipated costs of replacing fixed assets
- c) approximately six months' non-grant expenditure for contingency purpose.

At 31st December 2006 the Foundation held unrestricted reserves of £5,371,000. It is the view of the Trustees that the current level of reserves is sufficient to satisfy the above requirements.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

OBJECTIVES AND ACTIVITIES

The mission statement is as follows:

To be a leading grant maker supporting and working in partnership with recognised charitable organisations which help people, especially those who are disadvantaged or disabled, to play a fuller role in communities throughout England and Wales.

The following grant making policies demonstrate the activities undertaken.

- The Foundation supports charities working with disadvantaged groups
- Applications are encouraged from all sections of the community, especially small to medium under funded charities.
- The Foundation accepts applications which are reviewed against published guidelines. Priorities are identified for each grant-making programme and are published on the Foundation's website.
- Grants are agreed by the Trustees for a one-, two- or three-year period, and monitored at the end of the period. In the case of multi year grants these are monitored mid term.

ACHIEVEMENTS AND PERFORMANCE

The Board set the following aims for 2006:

1. To provide a range of accessible, interactive and timely grant-making programmes that can respond to the needs of the communities served, including:
 - a) a community based programme that utilises local expertise and knowledge to develop and support local and regional needs/priorities as identified by external consultation
 - b) an England and Wales-wide programme that supports not only nationally based charities but also secondary and tertiary organisations in their development.

The focus of the various grant-making programmes will not only be responsive in terms of national, regional and local needs but also proactive in the development of themed grant-making in areas of specific need, i.e. collaborative work and the reintegration of those leaving prison into civic society.

2. To develop the knowledge base of the organisation gained from grant-making, to inform the development of the programmes and operating policies for the future.
3. To utilise our position as a leading grant-maker to share best practice and ideas.
4. To ensure that the organisation is developed to meet changing needs, e.g. the needs arising from the Foundation becoming the direct employer of its staff.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

Delivery of Grant Making Programmes and sharing best practice

Grants made

In 2006 the Foundation's covenanted income was £24.8 million (2005: £22.6m). 4,018 applications were received during the year. 2,616 grants were payable in the year, amounting to £22.1 million (2005: 2,568 grants totalling £19.2 million).

In addition, 3,560 donations totalling £999,921 were paid through the Matched Giving Scheme (2005: 3,540 donations totalling £992,000).

Community based grant making

The majority of the Foundation's funding (74%) continued to be allocated to ten regional programmes (based on population, weighted for deprivation), for grants from the Community Programme, helping communities to address local needs.

This year, after consultation with the sector, each region selected three priority areas for funding and charities with a particular interest or expertise in this work were given priority for funding. This work helps the Foundation to identify emerging trends or areas of particular need.

Ex prisoners' programme

This sub sector was identified as an area of specific need in 2005 and in 2006, 41 grants totalling £1.38 million were awarded. The grants made will be specifically monitored during 2007 to inform the development of Foundation strategy.

Collaborative Programme

2006 was the seventh year of the Collaborative Programme, established in 2000 to encourage co-ordination, co-operation and collaboration between charities and, in certain circumstances between voluntary organisations and statutory services, to improve the voluntary sector's effectiveness. 72 grants totalling £1.7 million were approved (2005: 53 grants totalling £1.3 million).

England and Wales wide funding

In addition to the regional funding, grants were made to charities to benefit people across England and Wales as a whole, and 164 grants totalling £3,468,702 were awarded.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

Geographical spread of funding

The geographical spread of grants made through the Community and Collaborative Programmes is as follows

Geographical area	Number of grants	Value of grants made £
East of England	202	1,149,606
East Midlands	192	1,434,533
Greater London	233	1,701,006
North East	179	1,488,418
North West	340	3,127,314
South East	189	1,205,914
South West	273	1,409,036
Wales	184	1,441,398
West Midlands	310	1,962,357
Yorkshire	306	2,214,010
Total within the regions	2,408	17,133,592
England and Wales-wide	164	3,468,702

International programme

Three grants were made, totalling £70,000. It was noted that approaches to funding in this area had significantly changed since the programme was set up. A review of this was commissioned in 2006 and the report will be available in the second quarter of 2007. This will inform future activity.

Matched Giving Scheme

The Foundation allocated £999,921 (4% of the covenanted income) to fund the Matched Giving Scheme.

All UK-based members of staff employed by Lloyds TSB Group and its subsidiaries are eligible to claim up to £400 per person per year to match their own fundraising activities for charities within the Foundation's guidelines, or for time given on a voluntary basis. Claims for time given are paid at £5 per hour. Foundation staff are also included in this scheme.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

Payments were made as follows, with 2005 figures included for comparison.

Year	Paid for fundraising	Number of claims for fundraising	Paid for time given	Number of claims for time given	Total number of claims	Number of individual staff members	Total paid
	£		£				£
2006	827,105	3,024	172,816	536	3,560	3,399	999,921
2005	807,846	2,955	184,345	585	3,540	3,373	992,191

A full list of grants approved is attached at Appendix A.

Developing a knowledge base within the organisation and sharing best practice

A comprehensive review of all the grant making programmes and their current outputs and outcomes was conducted in 2006.

It was agreed that specific changes needed to be made to the grant making programmes for 2007 to reflect the changes in the charitable sector we operate in namely

- Equity of approach irrespective of programme or method of approach
- Consistent, high quality grant making standards applied to all our grant making irrespective of geographical location
- Timely and transparent process
- Responsive customer service and care
- Focussed on delivering value to the communities served

In addition, a review of the monitoring and evaluation procedures with regard to management of knowledge, both internally and externally, was agreed for 2007 and the outcomes to be used to inform the programmes for 2008.

A review of how our grant making data are recorded and reported is underway and will be completed during 2007.

The review of the website is complete and work is scheduled for 2007.

The work specified above will allow us to share our knowledge and best practice throughout the sector from 2007 and beyond. Two pilot symposia have been scheduled for 2007 to share our expertise in grant making regionally to organisations that support young people.

Developing the organisation to meet the changing needs e.g. becoming a direct employer.

Prior to 2006, all staff were employed by Lloyds TSB Group. The decision was made in 2005 for the Foundation to directly employ its own staff. Plans were put in place to implement this significant change.

The TUPE transfer was effected in January 1 2006 and the necessary policies, procedures and systems have been put in place during 2006. This work will be completed by the end of quarter 1 2007.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

The Investors in People award was reassessed in December 2006 and was re-awarded for a further 3 years. This award assesses the quality of the frameworks in the organisation that helps to improve performance and realise objectives through the effective management and development of its people.

FINANCIAL REVIEW

Financial position

The Statement of Financial Activities on page 16 shows the income received under the Deed of Covenant with Lloyds TSB Group plc, together with the expenditure on the grant-making Programmes to pursue the Foundation's charitable objects. At 31st December 2006 the Foundation held net assets of £5,371,000.

Overall, this was a positive year for the Foundation with covenanted income up by 9.9%. This translated into delivery of our key programmes of particular note being the Community Programme, the pilot ex prisoners programme, and the matched giving scheme. Organisational overheads were appropriately contained to 8.5% of total income.

This performance will provide a strong base for further development in 2007.

PLANS FOR FUTURE PERIODS

Future financial prospects

In February 2007, the Foundation received £26.8 million (an increase of 7.8% compared with 2006) from Lloyds TSB Group plc, under Deed of Covenant, in respect of the Group's financial year ended 31st December 2006. This will fund the Foundation's activities during 2007.

Future activities

The Foundation will continue to develop as a leading grant-maker, responsive to the needs of the communities it serves. Its focus will be to support recognised charities helping disabled and disadvantaged people to play a fuller role in the community, in accordance with the Foundation's objects and published guidelines.

The Board of Trustees agreed the following priorities for 2007

- To deliver the following grant making programmes in 2007 to a consistent quality standard namely:
 - Community OPEN - that ensures we are still a responsive needs driven funder.
 - Community PRIORITIES - reflecting the identified areas of specific need.
 - Collaborative - with a view to inform a proposed new funding stream in 2008.
- To provide that the necessary training, follow-up and peer group review is achieved to ensure learning and development within our grant making
- To change the balance of our current grant making process from a 'front end focus' i.e. focussed on application forms and assessments visits to a more appropriate balance including post grant monitoring and learning included and to develop the necessary methods to do this

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

TRUSTEES' REPORT (continued)

- To revise the role of the Trustees with regard to grant making such that it reflects the changes in programmes and adds strategic value to our grant making programmes
- To actively communicate the work of the Foundation in terms of its delivery and relevance to the communities we serve to the relevant stakeholders
- To continue to build a positive and appropriate relationship with the Lloyds TSB group mindful that we are one of four foundations
- To provide consistent leadership internally particularly in the area of grant making
- To continue to focus on the clear need for active two way communication through the team and develop the management skills of the organisation
- To define and agree the integrated programme for grant making for 2008 and beyond which is likely to include three to four key programmes that focus on disadvantage that add value to the communities we serve
- To restructure the organisation so that it reflects the needs of the integrated grant making programme and the infrastructure this requires
- To invest sufficient time and resource in the upgrading and reorganisation of our key database and information systems so that they serve our key purpose i.e. high quality, customer responsive grant making.

TRUSTEES RESPONSIBILITIES

Company and charity law 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 its financial position at the end of the year. In preparing those financial statements, the Trustees have:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis where it is appropriate to do so.

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Foundation and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Foundation 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 website and for electronically distributing the annual report and other financial information. 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. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

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 they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

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 13th March 2007 and signed on their behalf by:

Robert Boyd
Chair of Trustees

Cedric Burke FCCA
Company Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

Year ended 31st December 2006

We have audited the financial statements of the Lloyds TSB Foundation for England and Wales for the year ended 31 December 2006, which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes which have been prepared under the accounting policies therein.

Respective responsibilities of trustees and auditors

The trustees are also the directors of the Lloyds TSB Foundation for England and Wales for the purpose of Company Law. As described in the Statement of Trustees' Responsibilities, the Trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' report is consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Trustees' Report and Appendix A, List of Grants. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs at 31 December 2006 and of its net incoming resources, including its income and expenditure, and cash flows for the year then ended;
- and the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

STATEMENT OF FINANCIAL ACTIVITIES

Year ended 31st December 2006

	Note	2006 £'000	2005 £'000
Incoming resources			
Incoming resources from generated funds			
Covenanted income	14	24,845	22,604
Interest	14	867	693
Other incoming resources	2	26	339
Total incoming resources		<u>25,738</u>	<u>23,636</u>
Resources expended			
Charitable activities	5	25,249	23,245
Governance costs	5	61	55
Total resources expended		<u>25,310</u>	<u>23,300</u>
Net income for the year		428	336
Reconciliation of Funds			
Funds bought forward at 1 January		4,943	4,607
Funds carried forward 31 December		<u>5,371</u>	<u>4,943</u>

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.

The notes on pages 19 to 28 form part of these accounts.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

BALANCE SHEET

At 31st December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	6	101	32
Investments	7	<u>-</u>	<u>-</u>
		<u>101</u>	<u>32</u>
Current assets			
Debtors and prepayments	8	64	463
Cash at bank and in hand		<u>9,041</u>	<u>6,373</u>
		<u>9,105</u>	<u>6,836</u>
Creditors: amounts falling due within one year	9	(3,617)	(1,925)
		<u>-</u>	<u>-</u>
Net current assets		<u>5,488</u>	<u>4,911</u>
Total assets less current liabilities		<u>5,589</u>	<u>4,943</u>
Creditors: amounts falling due after one year	10	(218)	-
		<u>-</u>	<u>-</u>
Net assets		<u>5,371</u>	<u>4,943</u>
Total unrestricted funds			
Income funds		<u>5,371</u>	<u>4,943</u>

Approved by the Trustees on 13th March 2007 and signed on their behalf by:

Robert Boyd
Chair of Trustees

The notes on pages 19 to 28 form part of these accounts.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

CASH FLOW STATEMENT

Year ended 31st December 2006

	2006 £'000	2005 £'000
Net cash inflow from operating activities	1,902	92
Returns on investment and servicing of finance:		
Bank interest received	867	693
Capital expenditure:		
Payments to acquire tangible fixed assets	(101)	(3)
Increase in cash	<u>2,668</u> =====	<u>782</u> =====

Reconciliation of net income to net cash inflow from operating activities

	2006 £'000	2005 £'000
Net income for the year	428	336
Less: Bank interest received	(867)	(693)
Decrease/(increase) in debtors and prepayments	399	(367)
Depreciation charge	32	47
Increase in creditors	1,910	769
Net cash inflow from operating activities	<u>1,902</u> =====	<u>92</u> =====

Analysis of changes in cash during the year:

	2006 £'000	2005 £'000	Change in year £'000
Cash at bank and in hand	<u>9,041</u>	<u>6,373</u>	<u>2,668</u>

The notes on pages 19 to 28 form part of these accounts.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS

Note 1

Accounting policies

Basis of preparation	The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, including the Statement of Recommended Practice - Accounting and Reporting by Charities 2005 (SORP 2005), and in accordance with the Companies Act 1985.				
Fund accounting	The Foundation's funds are unrestricted and are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity.				
Grants payable	Grants, both single and multi-year, are recognised in the accounts as liabilities after 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 Foundation. In these circumstances there is a valid expectation by the recipients that they will receive the grant.				
Valuation of assets	Tangible assets are valued at historic cost less depreciation. Investment assets are valued at market value, as determined by the trustees after appropriate advice. (See Note 7.)				
Capitalisation & Depreciation	<p>The minimum value for the capitalisation of tangible fixed assets is £750.</p> <p>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 principal rates used, which are consistent with last year, are:</p> <table><tr><td>Computer equipment</td><td>33% per annum</td></tr><tr><td>Furniture and office equipment</td><td>10% per annum</td></tr></table>	Computer equipment	33% per annum	Furniture and office equipment	10% per annum
Computer equipment	33% per annum				
Furniture and office equipment	10% per annum				
Bank interest	Bank interest is recognised on the accruals basis.				
Donated services	Donated services are recognised, where material, at the value to the Foundation where this can be quantified and a third party is bearing the cost.				

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

Recognition of Expenditure	All expenditure is included on an accruals basis and is recognised where there is a legal or constructive obligation to pay.
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, and between the charitable programmes 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.
Pension costs	The Foundation has employees who are members of the Lloyds TSB Group Pension Schemes No. 1/No. 2. The schemes have been accounted for by the Foundation as defined contribution schemes as the Schemes' actuaries are not able to specifically identify the Foundation's share of the underlying assets and liabilities. The amount expensed during the year represents the contributions paid during the year as determined by the Scheme actuaries. The Foundation also contributes to a defined contribution scheme. Contributions in respect of the year are charged to the Statement of Financial Activities in the year to which they relate.
Operating Leases	Rentals under operating leases are charged as an expense in the Statement of Financial Activities.
Irrecoverable VAT	Any irrecoverable VAT is charged to the Statement of Financial Activities, or capitalised as part of the cost of the related asset, where appropriate.

Note 2

Other incoming resources

	2006 £'000	2005 £'000
Non-covenanted income from		
Lloyds TSB Registrars (Note 14)	8	21
Donated Services – Audit	18	18
Reimbursement from Lloyds TSB Group plc	—	300
	<u>26</u>	<u>339</u>

The reimbursement of £300,000 received in 2005 was in respect of one-off staff costs relating to early retirements of £747,465 incurred by the Foundation in that year.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

Note 3

Grants payable The table below shows a reconciliation between amounts approved during the year and amounts paid during the year.

	2006		2005	
	£'000	£'000	£'000	£'000
Reconciliation of grants payable				
Amounts outstanding at 1 January		936		1,145
Grants approved	23,317		20,518	
Grants cancelled or recovered	(260)		(319)	
Grants payable for the year		23,057		20,199
Grants paid during the year		(20,412)		(20,408)
Amounts outstanding at 31 December (Note 9) and (Note 10)		<u>3,581</u>		<u>936</u>

A full list of grants payable in the year is attached at Appendix A.

Note 4

Grant commitments The amount of outstanding grant commitments at 31st December 2006 is as follows:

	2006	2005
	£'000	£'000
Within one year	-	2,704
After one year	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,704</u>

In prior years the Foundation awarded all multi-year grants subject to the receipt, review and assessment of annual evaluation reports from the recipient charity, and final approval of subsequent payments by the Foundation. In these circumstances there was not a valid expectation that they would receive the grant.

During the year, the Trustees reviewed their grant making objectives, policies and procedures and approved the following change. The recipient charity still needs to meet the reporting and achievement criteria set out in the grant and if these are met there is no longer any final approval of subsequent payments required by the Foundation. As such multi-year grants are now approved with the expectation that the recipient will be entitled to the full amount of the grant.

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

These changes in grant making policy need to be reflected in the accounting for grants, and accordingly the Foundation now records the liability for multi-year grants when the initial grant is approved and the recipient is notified. As the change in accounting is mandated from changes in the Trustees' policy and procedures with respect of grant making, it has been reflected in the financial statements on a prospective basis.

The impact of the change is to increase grants payable and expenditure for the year ending 31 December 2006 by £2,566,000. Consistent with this change grant commitments have decreased by £2,704,000 during the year.

Note 5

Analysis of expenditure

5 a)	<u>Charitable activities</u>	Grants	Grant Making Support costs	Total 2006	Total 2005
		£'000	£'000	£'000	£'000
	Community Programme	18,925	2,025	20,950	19,764
	Collaborative Programme	1,678	99	1,777	1,483
	New Initiatives	-	-	-	694
	International	70	2	72	130
	Matched Giving	1,000	22	1,022	1,108
	Thematic Programme	<u>1,384</u>	<u>44</u>	<u>1,428</u>	<u>66</u>
		<u>23,057</u>	<u>2,192</u>	<u>25,249</u>	<u>23,245</u>

Support costs have been allocated on the basis of time spent by staff on each of the Programmes.

5 b)	<u>Grant Making Support costs</u>	2006	2005
		£'000	£'000
	Staff costs in support of grant making	1,647	2,371
	Other costs (including office accommodation, IT expenses, travel, printing and depreciation)	<u>545</u>	<u>675</u>
		<u>2,192</u>	<u>3,046</u>

5 c)	<u>Governance costs</u>	2006	2005
		£'000	£'000
	Legal fees	15	19
	Auditor's remuneration	18	18
	Staff costs	14	9
	Trustees' costs		<u>14</u>
	<u>9</u>		
		<u>61</u>	<u>55</u>

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

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.

5 d)

Staff costs

From 1st January 2006 the Foundation assumed the direct employment of its staff except for three employees who retired in 2006. They continued to be employed by Lloyds TSB Group and their full costs were charged back and paid by the Foundation.

The average number of persons employed by the Foundation during the year was 32 (2005: 35).

	2006 £'000	2005 £'000
Wages and salaries	1,147	946
National Insurance contributions	87	98
Pension contributions	200	184
Other Staff Costs	<u>227</u>	<u>1,152</u>
	<u>1,661</u>	<u>2,380</u>

Employees receiving emoluments (salary and benefits in kind, excluding pension contributions) greater than £60,000 is as follows:

	2006	2005
£60,001 - £70,000	-	2
£80,001 - £90,000	1	-
£90,001 - £100,000	1	-
£110,001 - £120,000	1	1
£120,001 - £130,000	-	1

Two employees included above accrued benefits under the Lloyds TSB Group defined benefit pension scheme. A contribution of £11,739 was made for one employee who is accruing benefits under the Lloyds TSB Group defined contribution scheme.

5 e)

Pension costs

	2006 £'000	2005 £'000
Defined benefit scheme	166	184
Defined contribution scheme	<u>34</u>	<u>-</u>
	<u>200</u>	<u>184</u>

Lloyds TSB defined benefit schemes

The contribution made to the schemes was £166,000 (2005: £184,000). The contribution rate in 2006 and the additional payments made were as follows:

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

	<u>Scheme 1</u>	<u>Scheme 2</u>
Contribution Rate	24.1%	22.7%
Contribution towards past service liabilities (annually for 10 years from 1 January 2006)	£4,631	£36,579
One-off payment in 2006 towards past service liabilities	£1,984	£15,686

Qualified independent actuaries carried out the latest full valuation of the Lloyds TSB Group Pension Schemes No. 1/No 2 at 30 June 2005 and this has been updated to 31 December 2006. The results of the December 2006 valuation, carried out in accordance with the requirements of the International Accounting Standard 19, disclosed that the overall deficit on the schemes at 31 December 2006 was £2,069 million. Further details of the valuation are disclosed in the Report and Accounts of Lloyds TSB Group plc.

Lloyds TSB defined contribution scheme

New employees of the Foundation are entitled to join the defined contribution scheme. The contribution made to the scheme was £34,000 (2005: £nil). The employer rate is determined by the member's age and the election by employees to make additional contributions. The maximum rate of contribution payable by the Foundation is 14.5%.

Note 6

Tangible assets

	Furniture and office equipment £'000	Computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 2006	46	123	169
Additions	1	100	101
Disposals	<u>0</u>	<u>(80)</u>	<u>(80)</u>
At 31 December 2006	47	143	190
<i>Depreciation</i>			
At 1 January 2006	15	122	137
Charge for the year	5	27	32
Disposals	<u>0</u>	<u>(80)</u>	<u>(80)</u>
At 31 December 2006	20	69	89
<i>Net book value</i>			
At 1 January 2006	<u>31</u>	<u>1</u>	<u>32</u>
At 31 December 2006	<u>27</u>	<u>74</u>	<u>101</u>

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

Note 7

Investments

The Foundation holds 56,936,842 limited voting ordinary shares of 25p each of Lloyds TSB Group plc, representing 72.12% of such shares in issue. The Foundation's limited voting ordinary shares represent 1.0% of the issued ordinary share capital of Lloyds TSB Group plc. 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 shall be converted into ordinary shares of Lloyds TSB 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 TSB Group plc ("the Company") or the commencement of the winding-up of the Company.

For this purpose, "Deed of Covenant" includes each of the four Deeds of Covenant and, in relation to each, 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 Company to be no less favourable (taking such agreements together if more than one) to the payee or payees under the new agreement or agreements.

- b) If an offer is made to ordinary shareholders of the Company to acquire the whole or any part of the issued share capital of the Company 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 Company 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.

Note 8

Debtors

	2006	2005
	£'000	£'000
Prepayments	54	57
Other debtors	<u>10</u>	<u>406</u>
	<u>64</u>	<u>463</u>

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

Note 9

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

	2006 £'000	2005 £'000
Grants payable (Note 3)	3,363	936
Other creditors <u>254</u>	<u>989</u>	
	<u>3,617</u>	<u>1,925</u>

Note 10

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

	2006 £'000	2005 £'000
Grants payable (Note 3)	<u>218</u>	<u>-</u>

Note 11

Movement in resources

	Balance at 31 December 2005 £'000	Movement in resources		Balance at 31 December 2006 £'000
		Incoming £'000	Outgoing £'000	
Unrestricted funds	<u>4,943</u>	<u>25,738</u>	<u>25,310</u>	<u>5,371</u>

Note 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 (including the Chairman) who are also members at 31st December 2006 was twelve (2005: twelve).

Note 13

**Trustees' remuneration
and reimbursed
expenses**

The Trustees, who are also the directors of the Foundation, received no remuneration during the year. Twelve Trustees received reimbursed expenses relating to travel and subsistence totalling £11,785 (2005: £13,152 to thirteen Trustees).

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

Note 14

Related party transactions

14 a) **Connected**

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

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

Lloyds TSB Foundation for Northern Ireland
The Gate Lodge
73a Malone Road
Belfast BT9 6SB

Lloyds TSB Foundation for the Channel Islands
3rd floor
4 St Dunstan's Hill
London EC3R 8UL

The Foundation received £ 3,700 (2005: £3,700) from the Lloyds TSB Foundation for the Channel Islands in respect of time spent by the Company Secretary on Channel Islands Foundation business.

14 b) **Related company**

The Foundation is related to Lloyds TSB Group plc as it derives its revenue from Lloyds TSB Group plc, which has entered into a covenant to make annual payments to the England and Wales Foundation of a total amount equal to 0.7212 per cent of one-third of the aggregate adjusted pre-tax profits (less pre-tax losses) of the Group for the three years ended on 31st October in the year preceding the year of payment, in lieu of dividends.

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

The Foundation received £24,845,000 (2005: £22,604,000) under deed of covenant, and £867,000 (2005: £693,000) bank interest was received due to the Foundation using Lloyds TSB Bank plc as its bankers.

At 31 December 2006 a balance of £ 9,041,000 was held at Lloyds TSB Bank plc (2005: £6,373,000).

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES

NOTES TO THE ACCOUNTS (continued)

The Foundation received £8,064 (2005: £21,293) from Lloyds TSB Registrars within Lloyds TSB Group plc.

Rent payments of £156,885 (2005: £159,131) were paid to Lloyds TSB Group plc for the office accommodation in London. Seven regional offices were provided with office facilities by Lloyds TSB Group plc without charge.

Salary and pension costs of £358,000 (2005 £2,245,000) were paid to Lloyds TSB Group from which Lloyds TSB Group paid members of Foundation staff. No fee was charged for this service by Lloyds TSB Group.

An internal audit was carried out by Lloyds TSB Group Audit Department in January and February 2006 focussing on governance and key controls. No fee was charged for this service by Lloyds TSB Group.