



Standard Life FOUNDATION

Standard Life Foundation
(A company limited by guarantee)

Annual Report and Accounts
for the Year Ended 31 December 2018



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Scottish Charity Number SC040877
Registered in Scotland Number SC359717

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Reference and administrative details

Standard Life Foundation

Registered Scottish charity number SC040877
Registered Scottish company number SC359717

Registered office

1 George Street, Edinburgh, Scotland EH2 2LL
0131 245 1089

Website

www.standardlifefoundation.org.uk

Trustees (including changes in the year)

The Trustees of Standard Life Foundation are also its Directors for the purpose of the Companies Act 2006.

<u>Trustee</u>	<u>Trustee Category</u> ⁽¹⁾	<u>Appointments</u>	<u>Resignations</u>	<u>Committees</u> ⁽²⁾
Alistair Darling (Chairman)	Independent			Finance, Investment and Risk Nomination, Governance and Remuneration Research
James Daunt	Independent			Finance, Investment and Risk (Chair)
Naomi Eisenstadt	Independent			Research
Professor David Hall	Independent			Research Finance, Investment and Risk (until 13.03.18)
Lucy Heller	Independent			Nomination, Governance and Remuneration (Chair)
Professor Elaine Kempson	Independent			Research (Chair) Nomination, Governance and Remuneration
Professor Wendy Loretto	Independent			Research
Graeme McEwan	Standard Life Aberdeen plc			Nomination, Governance and Remuneration
Keith Skeoch	Standard Life Aberdeen plc			Research
Euan Stirling	Standard Life Aberdeen plc	01.02.2018		Finance, Investment and Risk

⁽¹⁾ Refer to Structure, Governance and Management on page 6 for Trustees' appointment terms

⁽²⁾ Refer to Structure, Governance and Management on page 6 for committee remits

Company Secretary

Mubin Haq (appointed 05.06.2018)

Clare Lister (resigned 29.03.2018)

Reference and administrative details (cont.)

Chief Executive Officer

This post does not carry a directorship of Standard Life Foundation.

Mubin Haq (*appointed 29.05.2018*)

Howard Davies (*resigned 20.11.2017*)

Professional Advisers

External Auditor

KPMG LLP
Saltire Court, 20 Castle Terrace
Edinburgh
EH1 2EG

Solicitors

Burness Paull LLP
50 Lothian Road
Edinburgh
EH3 9WJ

Custodian

Citibank Europe plc
Citigroup Centre
Canary Wharf, London
E14 5LB

Bankers

HSBC Bank plc
31 Holborn, Holborn Circus
London
EC1N 2HR

Investment Managers

Aberdeen Standard Investments
1 George Street
Edinburgh
EH2 2LL

Chairman's statement

2018 saw the Foundation make steady progress towards meeting its charitable objectives. We appointed a new Chief Executive, Mubin Haq, who is providing the leadership we need and have now recruited a small team to assist the work of the Foundation. At the end of the year we published our funding guidelines and will be in a position to award a number of grants in the first half of 2019.

With Mubin joining at the end of May, the Board agreed to prioritise the development of a strategic plan for the Foundation. Our starting point was the Foundation's focus on financial well-being in the UK. This has remained our focus, but has evolved considerably. Originally we had planned to be a funder of research, in particular relating to three areas: spending; borrowing; and saving. The Board agreed to widen the type of work we will fund, as well as the issues we will consider. Our mission encompasses this change. This new direction will see the Foundation contribute towards strategic change which improves financial well-being in the UK. As a result we will fund research, as originally planned, but we will also fund policy work and campaigning. Our funding activities have broadened and cover three areas: income, spending and assets. These aim to address some of the burning issues of the day, including wages, pensions, savings, the cost of living, gambling and taxation.

We know much about the problems. Four in ten have savings of less than £500, meaning they are ill prepared for the proverbial rainy day when the boiler or car breaks down. Nearly 19 million people are unable to afford a decent standard of living. The distribution of wealth and assets is very uneven, with the top 10% of households owning around half of all total wealth, whilst the bottom half owns less than 10%. Uncertainty caused by geopolitical tensions, Brexit and the rise of automation may cause further difficulties for the people we are seeking to support. However, we are optimistic that positive changes can be achieved. The development and enhancement of the minimum wage and living wage has boosted incomes at the bottom. Auto-enrolment has seen huge increases in the number of employees saving in a pension, up from 55% in 2012 to around 80% today. The capping of pay day lenders shows the capacity of regulators and government to take action against exploitative practices. Funding of strategic work in these fields could make a real and lasting difference to the lives of people living on low to middle incomes in the UK.

When we talk about financial well-being, we mean improving people's ability to meet current financial commitments and needs comfortably – having enough income for more than life's essentials and not struggling to make ends meet. It means people have the capacity to do this in the future, including the ability to deal with financial shocks, and have saved enough for when they retire. We want everyone to feel more in control and confident over their finances. We believe this is crucial to creating a decent and fair society which everyone has a stake in.

We aim to foster partnerships, collaboration and trust, including amongst unusual allies. A number of different approaches and activities are needed to achieve our mission and we have laid vitally important foundations in order to make progress. This year was one in which we agreed the framework for our future activity over the next three years. 2019 will be the year in which we operationalise the strategic plan and fund a wide range of activity. We hope by the end of the three-year period we will have much to report on and will have made an important contribution to improving financial well-being and improving lives.

I am grateful to my fellow trustees in helping the Foundation move forwards, to Standard Life Aberdeen for its continued support, and the staff for their work.



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Alistair Darling
Chairman
Standard Life Foundation

Trustees' Report for the year ending 31 December 2018

The Board of Trustees present the audited Annual Report and Accounts of Standard Life Foundation for the year ended 31 December 2018. Reference and administrative details are provided on pages 2-3.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

Standard Life Foundation (the "Foundation") was incorporated on 15 May 2009 (as Standard Life Charitable Trust) as a private company limited by guarantee (SC359717), with no share capital. Standard Life Foundation was registered as a Scottish Charity (SC040877) by the Office of the Scottish Charity Regulator (OSCR) on 29 September 2009. The Foundation is governed by its Memorandum and Articles of Association.

Objectives and activities

The overall objectives of the Foundation relate to the:

- Prevention or relief of poverty.
- Advancement of education.
- Relief of those in need due to age, ill-health, disability, financial hardship or other disadvantage.

Whilst the area of benefit corresponds with the geographical presence of Standard Life Aberdeen plc, the Foundation has decided to limit its current activities to the UK, with a particular focus on Scotland. This reflects the geographical area where Standard Life has traditionally been located, an acknowledgement that the Foundation has limited resources which would be spread too thinly if it covered too wide a geography, and where it believes its expertise lies.

With the appointment of a new Chief Executive at the end of May, the Foundation carried out a strategic review for its next three years (2019-21). The review was completed in November 2018, and was discussed at a Board strategy day. It resulted in the Foundation refining its focus and the creation of a mission, key objectives and funding priorities for the organisation (outlined below).

The Foundation's mission is to contribute towards strategic change which improves financial well-being in the UK. More specifically the work it supports examines and promotes measures to:

- Increase incomes for those on low-to-middle incomes.
- Ensure people have an adequate safety net, building savings and assets.
- Reduce the cost of living, making sure those on lower incomes are not paying more.
- Address issues related to spending and borrowing, particularly where it becomes problematic.

The Foundation aims to improve the lives of those living on low-to-middle incomes in the UK, who are struggling to make ends meet, and who are moving in and out of hardship. Whilst it is vital to ensure that those facing financial hardship are supported the Foundation also believes it is important to prevent people falling into financial difficulties. There is strong evidence on how people cycle in and out of poverty and the work of the Foundation aims to address the dynamics of poverty.

The Foundation's key objectives are to:

- Fund strategic work including policy work, campaigning and research, which address structural issues and individual practice related to financial well-being.
- Develop partnerships, encouraging collaborative working and a more joined-up approach, convening where we can add value.
- Share learning, knowledge and evidence widely, becoming a leading organisation working in the field.

The key change (brought about by the adoption of the strategic plan) was developing the scope of the activities relating to financial well-being, to cover three inter-related funding programmes: Income, Spending and Assets. In addition, the Foundation broadened the range of the work it would fund from a sole focus on research activities to encompass a wider variety of strategic work including policy work and campaigning.

Under its Income programme the Foundation will fund work related to wages, pensions, welfare benefits and income taxation. In relation to its Spending programme it will fund work focussed on the cost of living, spending, gambling, borrowing and payment problems. Under its Assets strand the Foundation will support activity covering general and retirement saving, housing and wealth taxation.

Trustees' report *continued*

Full details of the Foundation's funding programmes and priorities are outlined in its funding guidelines, which are available on its website.

The grant-making activities carried out in the year are listed on page 7.

Organisational structure

The Board of Trustees meet at least three times in any calendar year and discuss progress, strategy and future plans. All key decisions affecting the Foundation are agreed at these meetings but the Board has delegated a number of duties to its Committees. These are:

- The Finance, Investment and Risk Committee is responsible for:
 - Finance - planning and monitoring the Foundation's income and outgoings so that it can meet its short, medium and long term aims in line with the Foundation's strategic plan, and reviewing its annual financial statements prior to submission to the Board;
 - Investment - providing oversight and advice to the Board on all investment matters; and
 - Risk - providing oversight and advice to the Board on the Foundation's current and future risk strategy and any material risk exposures.
- The Nomination, Governance and Remuneration Committee advises the Board on the corporate governance of the Foundation and its governance as a charity registered in Scotland, the appointment of Trustees and the appointment and remuneration of the Chief Executive Officer and other senior employees (if applicable) of the Foundation.
- The Research Committee advises the Board on the Foundation's research strategy in line with the charitable purposes and objects set out in the Foundation's strategic plan, and the selection, oversight, development, review, funding and management of research projects in line with the strategy.

All Committees meet at least twice in any calendar year. During 2019 the Committees and Board will be reviewing their terms of reference, including expanding the remit of the Research Committee to cover non-research grants.

The key management personnel of the Foundation are those persons having authority and responsibilities for planning, directing and controlling the activities of the Foundation, directly or indirectly. For the Foundation, they comprise the Board of Trustees and the Chief Executive Officer.

The Trustees set the policy and strategic direction of the Foundation, with day-to-day operations and management being the responsibility of the Chief Executive Officer. Mubin Haq was appointed as Chief Executive Officer of the Foundation on 29 May 2018. In the period between the resignation of the previous Chief Executive in November 2017 (Howard Davies) and the appointment of Mubin Haq, the day-to-day operations and management of the Foundation were the responsibility of its Legal Counsel & Company Secretary who reported directly to the Chairman.

The Foundation has a small staff team (at 31 December 2018 it had 2.6 staff). During the latter part of 2018 the Foundation successfully recruited an additional two members of staff who joined the team in February 2019: a Communications Manager and Programme Manager.

Recruitment and appointment of new trustees

New trustee appointments are first considered by the Nomination, Governance and Remuneration Committee before being recommended to the Board for approval. All Trustee appointments are also approved by the Standard Life Aberdeen plc Nomination Committee. Independent trustees are appointed for a three-year term but are eligible for re-appointment at the end of that term. Independent trustees were recruited by an independent selection agency and the Nomination, Governance and Remuneration Committee will review how recruitment in the future will take place. There is no requirement for the Trustees who are employees or directors of Standard Life Aberdeen plc to retire by rotation.

Newly appointed Trustees are given an in-depth induction to the Foundation by means of an induction pack and meetings with the Chairman and Foundation staff.

During the year the Foundation recruited one new Trustee, Euan Stirling. Euan is Global Head of Stewardship and Environmental, Social & Governance Investment at Aberdeen Standard Investment, and considerably strengthens the Foundation's capacity in relation to investments.

Trustees' report *continued*

The Foundation maintains directors' and officers' liability insurance on behalf of the Foundation's Trustees to provide cover should any legal action be brought against them.

Related parties

Trustees are required to disclose all relevant interests (including registering all outside appointments) and must excuse themselves from voting on any matter where a conflict of interest arises. All Trustees give of their time freely and receive no remuneration for their time other than the reimbursement of expenses (see Note 6 to the financial statements). All Trustees who acted during the year are listed on page 2.

The Foundation's ultimate controlling party is Standard Life Aberdeen plc (SLA). Membership of the Foundation is only open to SLA and only it can appoint or remove the Trustees who may exercise all the powers of the Foundation. Copies of the Annual Report and Accounts of the ultimate controlling party can be obtained at www.standardlifeaberdeen.com. SLA agrees to contribute £1 in the event of the Foundation winding up. The company respects the Foundation's right to create its own strategy and to speak out about the social issues the Foundation is seeking to address.

The support that Standard Life Aberdeen plc (SLA) provides the Foundation with includes the provision of office space, access to information systems and other services and facilities as required by the Foundation. All staff working for the Foundation are employees of Standard Life Employee Services Limited, a fully-owned subsidiary of the controlling party, and are seconded to the Foundation. Standard Life Investments Limited and Aberdeen Standard Capital, which are both subsidiaries of SLA, have been the Foundation's investment managers. Related party transactions are disclosed in Note 13 to the financial statements.

There are currently three Trustees who are also employees and/or directors of SLA and its subsidiary companies. The Foundation's Articles permit SLA Trustees to vote in relation to matters that concern SLA or any of its subsidiary companies, so long as the Trustees act in a way that would promote the success of the Foundation and acted in the Foundation's interests.

Conflicts of Interest

From time to time, Trustees will be asked to consider an application for a contract for services from an organisation which one or more of the Trustees is involved with, either in a professional or personal capacity. In such circumstances, any interest in the relevant organisation is declared at the outset of the discussion and the conflicted Trustee will be excused from any further discussion.

Achievements and performance

The main achievement of the year was the development and agreement of the strategic plan, covering the Foundation's next three years (2019-21). This was the organisation's first strategic plan, which resulted in significant engagement with a wide range of stakeholders working in the field including policy makers, regulators, think tanks, academics, voluntary organisations and funders. The plan outlined the Foundation's mission, objectives, funding outcomes, priorities, funding approach and ethos, funding programmes, the process for handling, awarding and managing applications, and the resources needed to deliver the proposed work.

The Foundation made one grant during the year (see below), as its focus was on the creation of a strategic framework for future grant making.

The organisation made progress on a number of other fronts including the development of its investment policy, recruitment of new staff and creation of a new logo and branding.

However, the departure of the Chief Executive and need to recruit a replacement, as well as the small size of the Foundation's staff, meant progress was significantly delayed in the first part of 2018.

Funding

In February 2017, Standard Life Aberdeen plc formally agreed with the Foundation to fund its future charitable activities from the unclaimed assets of the Unclaimed Asset Trust (UAT). The UAT was established in July 2006 to hold shares and cash allocated to eligible members of the Standard Life Assurance Company where those eligible members had not claimed their entitlement at the date of demutualisation. The claim period expired on 9 July 2016.

Trustees' report *continued*

During 2018 the Foundation received donations of nil (2017: £81,318,059) from the Standard Life Aberdeen plc. In 2017 this primarily consisted of cash consideration totalling £81,314,223 from the unclaimed assets of the UAT. There was also a small additional donation of £3,836 that related to fractional share payments that were received by Standard Life Aberdeen plc following the merger of Standard Life plc and Aberdeen Asset Management plc and was subsequently donated to the Foundation. There were no donations received by the Foundation from Standard Life Aberdeen plc during 2018.

The donations received from Standard Life Aberdeen plc have been invested by the Foundation in order to generate investment income to fund its future charitable activities. Further information on investment policy and performance is given on page 8. The Foundation has not and, going forward, does not intend to raise income through fundraising as the Board are of the opinion that the Foundation has adequate funds to achieve its aims.

Grant making

Grant-making is the main means by which the Foundation aims to contribute to the achievement of its aims and objectives. During the year, the Foundation awarded a grant to the University of Bristol to carry out a critical review of research into borrowing and financial well-being. The first review on spending and this second review will be published in 2019.

Whilst there was limited grant-making in 2018, there are ambitious plans to scale this up in 2019. This was assisted by the publication of a comprehensive set of funding guidelines in December 2018.

The Foundation will fund a range of strategic work to improve financial well-being in the UK. This is work that benefits more than individuals and has the potential to create a step change in policy, practice, attitudes and/or behaviour. It includes policy work, campaigning, research, public attitudinal work, and improving practice and design. The Foundation is interested in funding issues, where it can add value. In particular, where there is limited funding available and there is a clear niche for the Foundation. It will not fund direct delivery of services, unless this is testing and evaluating a new approach which has good potential to lead to wider change and be of significant benefit. The Foundation will also fund evaluations of existing initiatives that have not been evaluated.

There will be two open calls for funding applications each year which organisations undertaking charitable work can submit proposals to. The Foundation has created a first stage application proposal which aims to be simple, straight forward and not too onerous on those applying, whilst ensuring it has adequate information to make its initial decisions. Following this, organisations are shortlisted and those that get through to the next stage are able to discuss their proposals in more detail with the Foundation's staff. A final application is submitted and considered by the Foundation's Trustees. The Foundation will generally have an engaged approach with organisations it funds, as it is keen to learn from the work and use evidence and insights to advocate for social change.

FINANCIAL REVIEW AND PERFORMANCE

Financial review

The Foundation generated a net loss and hence, a decrease in funds, of £4,615,131 (2017: increase in funds of £82,282,192) during the period. A charitable donation (including donated services) of £99,082 (2017: £81,355,758) from Standard Life Aberdeen plc was offset by expenditure on the cost of raising funds of £360,101 (2017: £556,784) and expenditure on charitable activities of £375,922 (2017: £63,097). The Foundation also recognised net losses on invested assets of £3,978,643 (2017: total gains of £1,544,716) and investment income of £453 (2017: £1,599) during the year. The financial performance reflects the challenging market conditions faced during 2018 due to significant geopolitical developments and uncertain market conditions.

During the year the Foundation awarded £24,975 to University of Bristol to carry out a critical review of research into borrowing and financial wellbeing.

A final payment of £175,000 to Tomorrow's People remained outstanding at 31 December 2016 and this was settled in full on 28 April 2017. No similar awards were made in 2017 or 2018 and the Board of Trustees do not intend to make any similar awards in the future.

At 31 December 2018 the Foundation had total unrestricted funds of £84,293,778 (2017: £84,188,908) including (£3,593,829) (2017: £1,126,172) within its revaluation reserve. The Foundation has no restricted funds and no amounts were designated or otherwise committed at 31 December 2018 or 31 December 2017.

Trustees' report *continued*

Investment policy and performance

The donations received by the Foundation during 2017 of £81,318,059 as well as the donation of £3,009,582 that was previously recognised in 2016, have been invested using an absolute return-based approach with a view to balancing capital growth with risk management. Investments are managed by Standard Life Investments Limited and the investment management agreement sets out an agreed asset allocation across three absolute return funds and a separate liquidity fund within certain tolerance levels. The liquidity fund investment, by its nature, allows the Foundation to settle its liabilities as they become due as the Foundation holds minimal cash in order to maximise its investment return. The Foundation also has a non-interest bearing bank account and an interest bearing custody account.

Investment loss for the year ended 31 December 2018 was £3,978,643 (2017: return on investment of £1,544,716). This was gross of investment management fees of £360,101 (2017: £291,660). The Foundation did not hold significant investments prior to March 2017.

As the funds are held as an expendable endowment, the Foundation does not operate a reserves policy, but manages the balance between short and long term financial objectives through its grant-making and investment policies.

During 2018 the Foundation began work on developing its investment policy. The investment objectives were agreed by the Board in November 2018 and the full policy was approved in February 2019. The document outlined that the main purpose of the investments is to provide a financial return to fund the activities of the Foundation, including its funding programmes. It acknowledges that the Foundation is a long-term investor and has a total return approach. This is balanced with the need to protect and enhance the value of the endowment while taking an ethical and responsible approach to investing. The objectives are as follows:

- To grow the capital value of the endowment in real terms (RPI), after investment management expenses.
- To maximise the amount available for the Foundation's charitable activities, taking a total return approach.
- To balance investment risks, taking a long-term approach.
- To maintain adequate diversification within the investment portfolio.
- To ensure investment decisions pay due regard to ethical and responsible considerations and do not damage the Foundation's reputation.

The Foundation has agreed not to invest in companies which are materially involved in gambling, predatory lending, armaments, tobacco, alcohol and adult entertainment, as these either conflict with its charitable activities or may potentially damage its reputation.

An outcome of the development of the investment policy has been an agreement to move management of the investments to Aberdeen Standard Capital (ASC). The transfer will take place in early 2019 and will be managed by ASC's charities division. The latter will be responsible for the overall portfolio asset management, tactical asset allocation, individual stock selection, ethical screening and reporting and administration. Aberdeen Standard Investments will provide ASC with strategic asset allocation and management of certain specialist asset pools. The long-term target is to grow investments by RPI + 4%.

The Finance, Investment and Risk Committee reviews the investments regularly and reports to the Board on performance.

Risk management

The Trustees have assessed the risks to which the Foundation is exposed. The principal risk faced by the Foundation lies in the performance of its investments and ensuring the maintenance of capital value and the protection of income. This risk is managed with the support of investment advisers, and the Finance, Investment & Risk Committee, through regular review of investment performance and on-going market updates and due diligence.

The Foundation is also exposed to operational risk which encompasses risk of loss, or adverse consequences for the organisation, resulting from inadequate or failed internal processes, people or systems, or from external events.

The framework and systems for managing risk will be reviewed in 2019.

Trustees' report *continued*

FUTURE PERIODS

Plans for future periods

The coming year will see the implementation of the strategic plan for 2019-21. In particular this will result in an expansion of the Foundation's funding activities and it has budgeted to spend £2 million in grants during 2019. The Foundation has outlined clear priorities for its funding through the publication of its funding guidelines. The process for handling funding applications has been agreed and the first round of grants are due to be awarded in June, with further decisions in November. The Foundation expects to fund a wide range of strategic work and will start to develop a presence in a smaller number of niche areas where it hopes to build knowledge and expertise as well as creating a step change on some specific issues. It will also be creating the necessary systems and processes for handling and assessing funding applications, and managing and evaluating work it funds.

Given the nature of funding, many of the projects supported will not come to fruition for some time after the funding is awarded. The Foundation will actively engage with the organisations it funds, adding value where it can. It will also continue its engagement with a wide range of stakeholders including amongst politicians, policy makers, regulators, employers and civil society. The Foundation is keen to work in partnership with others and over the year will forge new alliances and collaborations.

The people the Foundation is aiming to support are central to its work and it is vital their voices are heard, that they are engaged in the work and active in helping the Foundation to develop solutions and secure change. It will be examining ways to embed these principles into all of its work.

Communications will be a key part of its engagement activity and in early 2019 the Foundation will launch a new website as well as develop its presence on social media. This work will be underpinned by the creation of a communications strategy for the Foundation, outlining priorities up to 2021. As it progresses the Foundation will explore in more detail how it and others communicate. Facts and figures are rarely enough. There is also a need to understand better how to get the public to support the change that is required – ensuring the right audiences are targeted and engaged.

On the investment side, the Foundation will implement its new investment policy and forge a new relationship with Aberdeen Standard Capital. The Foundation will ensure the management of the investment portfolio is of a high standard and there is an engaged approach focussed on producing the returns necessary for it to undertake its charitable activities. The Foundation will continue to monitor long-term projections of the endowment ensuring Trustees are able to make informed decisions in relation to future spending. It will strengthen its team through the recruitment of a new Finance and Operations Manager, which will replace the existing secondment arrangement with Standard Life Aberdeen plc.

In relation to governance, the Foundation will review its effectiveness and the skills and experience on the Board. It will also review terms of office for its independent Trustees and agree a cycle for appointments. The Board Charter and terms of reference will be reviewed in partnership with Standard Life Aberdeen plc.

Approved by order of the Board of Trustees on 6 June 2019 and signed on its behalf by:



.....
Alistair Darling
Chairman
Standard Life Foundation

Statement of Trustees' responsibilities in respect of the trustees' annual report and the financial statements

The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of expenditure over income for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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; and
- Assess the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

The trustees are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the Board of Trustees on 6 June 2019 and signed on its behalf by:



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Alistair Darling
Chairman
Standard Life Foundation

Independent Auditor's Report to the trustees and member of Standard Life Foundation

We have audited the financial statements of Standard Life Foundation ("the charitable company") for the year ended 31 December 2018 which comprise the statement of financial activities (including income and expenditure account) for the year ended 31 December 2018, balance sheet for the year then ended, statement of cash flows for the year then ended, accounting policies and related notes.

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- Have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the trustees' conclusions, we considered the inherent risks to the charitable company's business model, including the impact of Brexit, and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charitable company will continue in operation.

Other information

The trustees are responsible for the other information, which comprises the Trustees' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- We have not identified material misstatements in the other information;
- In our opinion the information given in the Trustees' Report is consistent with the financial statements; and
- In our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- The charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or

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- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

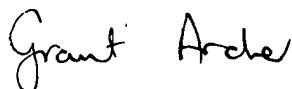
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Grant Archer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Saltire Court
20 Castle Terrace
EDINBURGH
EH1 2EG

6th June 2019

**Statement of Financial Activities (including income and expenditure account)
For the year ended 31 December 2018**

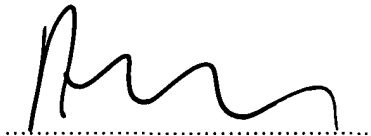
	Note	Unrestricted 2018 £	Unrestricted 2017 £
Income:			
Donations and legacies	1	99,082	81,355,758
Investment income	2	453	1,599
Total income and endowments		99,535	81,357,357
Expenditure on:			
Cost of raising funds	3	360,101	556,784
Expenditure on charitable activities	4	375,922	63,097
Total expenditure		736,023	619,881
Net (losses)/gains on investments	8	(3,978,643)	1,544,716
Net income and net movement in funds for the year		(4,615,131)	82,282,192
Reconciliation of funds:			
Total funds brought forward at 1 January		85,315,080	3,032,888
Total funds carried forward at 31 December	12	80,699,949	85,315,080

The statement of financial activities includes all gains and losses in the year, as well as irrecoverable VAT where applicable. All incoming resources and resources expended are from continuing operations.

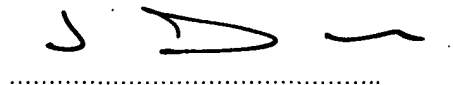
Balance Sheet
As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	8	78,915,242	82,909,495
Total fixed assets		78,915,242	82,909,495
Current assets			
Debtors	9	4,204	4,062
Investments	8	1,960,475	2,594,865
Cash at bank and in hand		8,099	8,720
Total current assets		1,972,778	2,607,647
Current liabilities			
Creditors: amounts falling due within one year	10	188,071	202,062
Total current liabilities		188,071	202,062
Net current assets		1,784,707	2,405,585
Total net assets		80,699,949	85,315,080
Total funds of charity:			
Unrestricted funds	12	84,293,778	84,188,908
Revaluation reserve	12	(3,593,829)	1,126,172
Total unrestricted income funds	12	80,699,949	85,315,080

Approved by order of the Board of Trustees on 6 June 2019 and signed on its behalf by:



Alistair Darling
Chairman
Standard Life Foundation



James Daunt
Chair of Finance, Investment and Risk Committee
Standard Life Foundation

The accounting policies and notes on pages 14 to 22 form an integral part of these financial statements

Statement of Cash Flows
For the year ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities:			
Net cash (used in)/provided by operating activities		(650,621)	80,760,476
Cash flows from investing activities:			
Proceeds from sale of investments	8	652,000	560,677
Purchase of investments	8	(2,000)	(84,327,041)
Net cash provided by/(used in) investment activities		650,000	(83,766,364)
Change in cash and cash equivalents in the year		(621)	(3,005,888)
Cash and cash equivalents at the beginning of the year		8,720	3,014,608
Cash and cash equivalents at the end of the year		8,099	8,720

Notes to the Statement of Cash Flows
For the year ended 31 December 2018

1. Reconciliation of net expenditure to net cash inflow/(outflow) from operating activities

	2018 £	2017 £
Net (expenditure)/income for the year (as per the statement of financial activities)	(4,615,131)	82,282,192
Adjustments for:		
Losses/(gains) on investments	3,978,643	(1,544,716)
(Increase)/decrease in debtors	(142)	(4,062)
Increase/(decrease) in creditors	(13,991)	27,062
Net cash (used in)/provided by operating activities	(650,621)	80,760,476

2. Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank	8,099	8,720
Total cash and cash equivalents	8,099	8,720

The accounting policies and notes on pages 14 to 22 form an integral part of these financial statements

Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of preparation

The financial statements of Standard Life Foundation (the "Foundation") have been prepared on the accruals basis and in accordance with 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2016) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006.

The Foundation meets the definition of a public benefit entity under FRS 102 and does not hold any endowment funds. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

(b) Going concern

The Trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern and that the Foundation has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements are approved. Consequently, the Trustees have prepared the financial statements on the going concern basis.

(c) Income

Donations and investment income are recognised in the Statement of Financial Activities when they are receivable and the amount can be measured reliably.

Donated services and facilities are included as income and measured at the value of the gift to the Foundation. Services and facilities are donated by other Standard Life Aberdeen Group companies and measurement is consistent with other intra-Group recharges for similar services and facilities.

(d) Expenditure

Expenditure is accounted for on an accruals basis.

Support costs comprise of costs associated with the management and administration of the Foundation and include staff costs. Governance costs comprise legal advice and support, external audit fees, costs associated with constitutional and statutory requirements and expenditure relating to the Foundation's Trustees. Where support costs are not incurred directly in relation to raising funds or charitable activities they are allocated on a pro-rata basis based on other direct expenditure.

Investment management fees are included as a cost of raising funds.

All costs are inclusive of irrecoverable VAT where applicable.

(e) Grants

Grant commitments are recognised when the Foundation formally notifies the recipient of the awards following approval by the Board of Trustees. Grant commitments for which payment was outstanding at the balance sheet date are shown as liabilities in the Balance Sheet.

(f) Funds

Unrestricted income funds are funds which are available for use at the discretion of the Trustees in furtherance of the objectives of the Foundation. The Foundation does not have restricted funds.

(g) Investments

Investments held by Standard Life Foundation are included at fair value in the Balance Sheet. Investments held at the Balance Sheet date are pooled investment vehicles and are stated at the bid price for funds with bid/offer spreads, or single price where there is no bid/offer spread as provided by the investment manager.

Accounting policies *continued*

Realised and unrealised gains and losses are included within the Statement of Financial Activities in the year in which they arise. Realised gains and losses on investments are calculated as the difference between net sales proceeds and opening market value. Unrealised gains and losses on investments within the revaluation reserve represent the difference between the valuation at the balance sheet date and historic cost.

Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Net gains/(losses) on investments' in the Statement of Financial Activities.

(h) Taxation

Standard Life Foundation is registered by OSCR as a charity for the purposes of the Charities and Trustee Investment (Scotland) Act 2005 and is entitled under section 13(2) of the Act to describe itself as a Scottish Charity. Accordingly, Standard Life Foundation is potentially exempt from taxation in respect of income or capital gains covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Standard Life Foundation is part of the Standard Life Aberdeen plc VAT group but does not make any taxable goods or services for VAT purposes. Consequently, the Foundation suffers irrecoverable VAT which is recorded and disclosed with the cost of the underlying services.

(i) Debtors

Debtors are recognised at the settlement amount due to the Foundation.

(j) Creditors

Creditors and provisions are recognised where the Foundation has a present obligation resulting from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are recognised at their settlement amount.

Notes to the financial statements

1. Donations and legacies

	2018 £	2017 £
Donations	–	81,318,059
Donated services and facilities	99,082	37,699
Total donations and legacies	99,082	81,355,758

During 2017, Standard Life Aberdeen plc made a charitable donation of £81,318,059 in cash to the Foundation: there were no donations from Standard Life Aberdeen during 2018. The donation followed the announcement by Standard Life Aberdeen plc at its 2016 AGM to donate unclaimed assets from the Unclaimed Assets Trust, a trust set up in 2006 after Standard Life demutualised to hold shares and associated dividends that were not claimed by with profits policyholders who were entitled to receive them. The donation was made with the intention that the funds are used for activities related to financial well-being.

The 2017 donation from Standard Life Aberdeen plc included £4,210,289 of cash consideration for unclaimed assets previously held by an Irish trust. The Irish trust assets are subject to the condition that the Foundation will hold and apply it solely for such purposes, falling within the charitable purposes of the Foundation, as are charitable under the law of Ireland.

Donated services and facilities in 2018 and 2017 relate to the provision of facilities and services by Standard Life Aberdeen plc. The donated facilities relate to office space provided for the Foundation's staff which was valued at £32,578 (2017: £30,983), costs for CEO recruitment of £41,472 (2017: nil) and website build support of £25,032 (2017: nil). In 2017 donated services also included additional staff costs for support relating to the transition from the former Standard Life Charitable Trust to the Standard Life Foundation as well as day-to-day administration of the Foundation.

2. Investment income

Total cash income during the year from investments is detailed below:

	2018 £	2017 £
Bank interest income	453	1,599
Total income from investments	453	1,599

3. Costs of raising funds

		2018 £	2017 £
Investment management fees	13	360,101	291,660
Support costs	5	–	265,124
Total costs of raising funds		360,101	556,784

4. Charitable activities

The following grants were awarded during the year:	Note	Grants £	Support Costs £	Total 2018 £	Total 2017 £
University of Bristol		24,975	13,661	38,636	–
Edinburgh University Business School		–	–	–	35,764
Total grant commitments	10	24,975	13,661	38,636	35,764
Total grants awarded		24,975	13,661	38,636	35,764
Other support costs	5	–	337,286	337,286	27,333
Total charitable activities		24,975	350,947	375,922	63,097

Notes to the financial statements *continued*

Total grant commitments consist of grants that have been awarded during the year but have not yet been fully paid. Support costs of £13,661 (2017: £11,714) have been allocated to specific grants made in the year. During the year additional costs of £337,286 (2017: £27,333) were incurred in relation to creating the strategic plan and developing the framework for the Foundation's charitable activities as well as other support activities furthering the charitable aims of the organisation.

5. Support costs

	Note	Total 2018 £	Total 2017 £
Staff costs	7	209,385	224,910
Donated services and facilities	1	99,082	37,699
Governance costs		29,205	28,305
Travel and accommodation- staff		10,790	9,680
Office costs and other		2,485	3,577
Total support costs		350,947	304,171

In 2018 all support costs relate to charitable activities. The breakdown of governance costs in the year is as follows:

	2018 £	2017 £
Legal costs	16,450	17,185
Auditor remuneration	4,720	5,000
Trustees indemnity insurance	5,885	3,080
Trustee expenses	2,150	3,040
Total Governance costs	29,205	28,305

Legal fees in 2017 and 2018 were primarily incurred in relation to establishing terms and conditions for the awarding of research grants and therefore have been allocated fully to charitable activities.

6. Trustees remuneration

No Trustee received any emoluments or benefits in kind during the year (2017: £nil) in respect of their services.

Trustees are reimbursed for travel, accommodation and subsistence costs incurred in carrying out their duties that are permitted by the Foundation's expenses policy. The Foundation also pays for travel and accommodation directly on behalf of some Trustees. The total sum expended by the Foundation during 2018 in respect of Trustee expenses was £2,150 (2017: £3,040) and is included within Governance Costs (see note 5). The number of Trustees reimbursed during the year was seven (2017: seven).

7. Staff costs

All staff costs are expenditure on staff working for the Foundation whose employment contracts are with Standard Life Employee Services Limited (SLESL). SLESL is a fully-owned subsidiary of Standard Life Aberdeen plc, the Foundation's ultimate controlling entity and is a related party of the Foundation (see note 13). Staff are seconded to the Foundation, to whom their employment costs, including contributions to a defined contribution pension scheme, are charged.

	2018 £	2017 £
Wages and salaries	132,724	168,137
Contractor costs	41,730	–
Social security costs	12,626	18,724
Pension contributions	19,632	26,570
Other employee benefits	2,673	11,479
Total staff costs	209,385	224,910

The average number of full-time equivalent employees in 2018 was three employees (2017: three employees).

Notes to the financial statements *continued*

The key management personnel of the Foundation are those persons having authority and responsibilities for planning, directing and controlling the activities of the Foundation; directly or indirectly. The key management personnel of the Foundation comprise the Chief Executive Officer and the Board of Trustees. The Trustees receive no remuneration in respect of their services to the Foundation. The remuneration of the Chief Executive Officer is set by the Trustees. Total employee benefits paid to key management personnel, excluding employer pension costs, were £60,376 during 2018 (2017: £108,461).

No employees (2017: one employee) received a full-time equivalent salary, plus benefits in kind of more than £60,000 per annum in 2018:

Salary band	No of employees	
	2018	employees 2017
£100,000 to £109,999	–	1

8. Investments

	2018 £	2017 £
Market value at beginning of year	85,504,360	193,280
Acquisitions	2,000	84,327,041
Distributions from investments	741,358	419,147
Disposal proceeds	(652,000)	(560,677)
Net (loss)/gain on revaluation	(4,720,001)	1,125,569
Market value at end of year	80,875,717	85,504,360

Investments at market value comprise equity investments in pooled investment funds managed by Standard Life Investments Limited. Net (loss)/gain on revaluation includes both unrealised and realised gains and/or losses arising on the holdings in the funds.

Net loss on revaluation of investment assets of £4,720,001 (2017: net revaluation gain of £1,125,569) relate to unrealised losses of £4,720,001 (2017: unrealised gains of £1,126,172) during the year and realised losses on sale of investments of £nil (2017: realised losses of £603).

Distributions from investments of £741,358 (2017: £419,147) consist of accumulation dividends received during the year. The accumulation dividends have been presented within 'Net (losses)/gains on investments' in the Statement of Financial Activities aggregated with the net loss of £4,720,001 (2017: net gain of £1,125,569).

Included within investments of £80,875,717 (2017: £85,504,360) is £1,960,475 (2017: £2,594,865) of current asset investments. This relates to an investment in a liquidity fund.

9. Debtors: amounts falling due within a year

	2018 £	2017 £
Prepayments	2,772	3,080
Accrued income	1,432	982
Total debtors	4,204	4,062

10. Creditors: amounts falling due within a year

	2018 £	2017 £
Grants awarded and payable	17,483	24,050
Due to auditor (see note 11)	4,920	5,000
Due to related parties (see note 13)	165,668	173,012
Total creditors	188,071	202,062

Notes to the financial statements *continued*

Movement in recognised grant commitments	2018 £	2017 £
Grant commitments recognised at 1 January	24,050	175,000
Grants charged to the SoFA in year (see note 4)	24,975	24,050
Grants paid during the year	(31,542)	(175,000)
Amount of grant commitments recognised as at 31 December	17,483	24,050

11. Auditor remuneration

	2018 £	2017 £
Accrued fees payable to the Foundation's Auditor	4,920	5,000
Auditor remuneration	4,920	5,000

No non-audit services were provided to the Foundation during the period.

12. Movements in funds during the year

	Unrestricted income funds £	Revaluation reserve £	Total unrestricted funds £
1 January 2018	84,188,908	1,126,172	85,315,080
Additions at cost	2,000	–	2,000
Distributions from investments	741,358	–	741,358
Sale of investments	(652,000)	–	(652,000)
Net gains/(losses) on investments	–	(4,720,001)	(4,720,001)
Increase in debtors	142	–	142
Decrease in creditors	13,991	–	13,991
Decrease in cash and cash equivalents	(621)	–	(621)
31 December 2018	84,293,778	(3,593,829)	80,699,949

	Unrestricted income funds £	Revaluation reserve £	Total unrestricted funds £
1 January 2017	2,976,975	55,913	3,032,888
Additions at cost	84,327,041	–	84,327,041
Distributions from investments	419,147	–	419,147
Sale of investments	(560,677)	–	(560,677)
Transfer from revaluation reserve	55,310	(55,310)	–
Net gains/(losses) on investments	–	1,125,569	1,125,569
Increase in debtors	4,062	–	4,062
(Increase) in creditors	(27,062)	–	(27,062)
Decrease in cash and cash equivalents	(3,005,888)	–	(3,005,888)
31 December 2017	84,188,908	1,126,172	85,315,080

13. Related party transactions

As noted in note 1 Standard Life Aberdeen plc donated £81,318,059 to the Foundation during 2017 but there were no donations received from Standard Life Aberdeen plc during 2018. No amounts were due from Standard Life Aberdeen plc at 31 December 2018 or 31 December 2017.

The majority of purchases are paid for by Standard Life Employee Services Limited, a fully-owned subsidiary of Standard Life Aberdeen plc, as the Foundation uses their Accounts Payable system. These costs, as well as staff costs, totalling £209,385 (2017: £224,910) for the year are then invoiced to the Foundation on a quarterly basis. At the end of the period amounts owed to Standard Life Employee Services Limited were £76,464 (2017: £79,332).

Standard Life Investments Limited, a subsidiary of Standard Life Aberdeen plc, has been appointed as the Foundation's investment manager. Investment management fees incurred during the year were £360,101 (2017: £291,660). At the end of the period, amounts owed to Standard Life Investments Limited were £89,204 (2017: £93,680) in respect of investment management fees.