

Standard Life Foundation



Standard Life Foundation
(A company limited by guarantee)

Annual Report and Accounts
for the Year Ended 31 December 2017

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Reference and administrative details

Standard Life Foundation

Registered Scottish charity number SC040877
Registered Scottish company number SC359717

Registered office

Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH

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⁾
Colin Clark	Standard Life Aberdeen plc		14.08.2017	Finance, Investment and Risk
Alistair Darling <i>(Chairman from 03.02.2017)</i>	Independent			Finance, Investment and Risk Nomination, Governance and Remuneration Research
James Daunt	Independent			Finance, Investment and Risk (Chair)
Naomi Eisenstadt	Independent			Research
Sir Gerry Grimstone <i>(Chairman until 03.02.2017)</i>	Standard Life Aberdeen plc		31.12.2017	
Professor David Hall	Independent			Research Finance, Investment and Risk <i>(until 13.03.18)</i>
Lucy Heller	Independent			Nomination, Governance and Remuneration (Chair)
Professor Elaine Kempson	Independent			Research (Chair) Nomination, Governance and Remuneration
Professor Wendy Loretto	Independent	01.09.2017		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 pages 5-6 for committee remits

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)*

Reference and administrative details (cont.)

Professional Advisers

External Auditor⁽³⁾

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

Solicitors

Burness Paull LLP
50 Lothian Rd
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

Standard Life Investments Limited
1 George Street
Edinburgh
EH2 2LL

⁽³⁾ In order to comply with EU regulations regarding mandatory auditor rotation, Standard Life Aberdeen plc (Standard Life Foundation's ultimate controlling party) carried out a tender process for the appointment of a new External Auditor in 2016. Following the conclusion of the process, KPMG LLP were proposed as the Auditor for the Standard Life Aberdeen Group commencing in the 2017 financial year. Subsequently, KPMG LLP were appointed as the Auditor for Standard Life Foundation on 19 May 2017, succeeding PricewaterhouseCoopers LLP.

Chairman's statement

Standard Life Foundation ("the Foundation") was incorporated in the name of Standard Life Charitable Trust, and registered as a charity with the Office of the Scottish Charity Regulator ("OSCR") in 2009. From 2013-2016, the Foundation pursued the 'employability' theme through establishing a suite of sequential interventions to prepare and facilitate people's entry into the world of work. These included primary school interventions to inspire children to engage with education and develop their character and resilience, and adult programmes supporting transition to work for various excluded and disadvantaged groups. Charity partners were chosen for their relevant expertise and their ability to deliver reliable programmes with national scale. The strategy has positively impacted hundreds of lives and been recognised with an HR Network Award for Corporate Responsibility, a Gold Investors in Young People accreditation and as one of 11 Social Mobility Business Champions by the UK Government.

The initial funding of the Foundation consisted of a donation of £4m received from Standard Life Aberdeen plc (previously known as Standard Life plc) that related to the sale of shares in the Unclaimed Assets Trust ("UAT"). The UAT was set up in 2006 after Standard Life demutualised, to hold the shares and associated dividends that were not claimed by with-profits policyholders who were entitled to receive them. In July 2016, the interests in the remaining unclaimed UAT assets reverted to Standard Life Aberdeen plc and it was a condition of demutualisation that in the event of any assets remaining unclaimed, they should be used for "general corporate purposes, including charitable giving". The Board of Standard Life Aberdeen plc formally agreed that the unclaimed assets should be used for charitable purposes in a manner clearly consistent with its purpose and brand, and be aligned to its relationships with past and future generations of policyholders. Given the nature of Standard Life's business, financial resilience and well-being were considered to meet this requirement and at its 2016 AGM, Standard Life Aberdeen plc announced its intention to donate the unclaimed assets within the UAT to the Foundation with the intention that it became an enduring research-led foundation. The Foundation's Articles of Association, governance structure and name were all subsequently changed to align with this direction. OSCR was fully consulted and approved the change of name to Standard Life Foundation and the associated change in charitable purposes. Standard Life Aberdeen plc also informed the Foundation that its intention is that it will now directly support the employment programmes previously supported by the Standard Life Charitable Trust.

The Trustees have agreed that, in the future, the Foundation will focus specifically on research into the issues surrounding financial well-being in the UK. The decision was taken to commission evidence reviews of currently available research in three areas – spending; borrowing; and saving. Identifying gaps in existing research will help to inform the strategic imperative of the Foundation as we look to ensure that its resources are deployed where they can most usefully have a positive impact.

Following a tender exercise, the Business School at the University of Edinburgh was appointed to carry out the first critical review of research into spending and financial well-being. The review was received by the Foundation in Spring 2018 and its conclusions are being considered by both the Research Committee and the Board. A second tender exercise is currently underway, and the successful organisation will be appointed to carry out the second critical review which will consider borrowing and financial well-being. The tender process and timing of the third review, which will pertain to saving, is presently under consideration.

These reviews and the commissioning of any research which the Board agrees should flow from them will be the focus for the Foundation's activity and I believe will provide the building blocks to assist in improving financial well-being across the UK.

During the year, as noted on page 2, both Colin Clark and Sir Gerry Grimstone resigned as Trustees of the Foundation. I would like to thank each of them for their invaluable contribution. I would also like to take this opportunity to welcome Euan Stirling and Professor Wendy Loretto to the Board, both of whom have already demonstrated the expertise which will undoubtedly move the Foundation forwards in the future.

I am also pleased to announce that the Foundation has, with effect from 29th May 2018, appointed Mubin Haq as its Chief Executive Officer following the departure of Howard Davies in November 2017. Prior to joining the Foundation, Mubin was Director of Policy and Grants at Trust for London and joins us with a wealth of experience from his time there. My thanks must also go to Howard Davies for his key role in moving the Foundation forward during his tenure as CEO.



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Alistair Darling
Chairman
Standard Life Foundation

Trustees' Report for the year ending 31 December 2017

The Board of Trustees present the audited Annual Report and Accounts of Standard Life Foundation for the year ended 31 December 2017. 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 objectives of the Foundation are specifically restricted to furthering the following purposes within the United Kingdom and overseas (where that corresponds with the geographical presence of Standard Life Aberdeen plc, its subsidiaries or joint venture interests or corresponds with any place in which Standard Life Aberdeen plc, its subsidiaries or joint venture interests have business activities) (the Area of Benefit):

- (i) the prevention or relief of poverty;
- (ii) the advancement of education; and
- (iii) the relief of those in need due to age, ill-health, disability, financial hardship or other disadvantage;

and in particular (but without restricting the Foundation's power to take other steps in furtherance of the above aims) to provide financial resources to support research for the public benefit into and activities concerning:

- (a) the challenges experienced by people in need in accessing appropriate products and services from the financial services market (including those related to long term savings);
- (b) increasing awareness of financial matters among those in need;
- (c) opening up the long-term savings market to those in need who would not otherwise have had access to that market; and
- (d) changing long-term savings behaviours and trends among those in need for the public good.

During the year, the Foundation appointed the University of Edinburgh Business School to carry out a critical review of research into spending and financial well-being. This was the first of three such critical reviews that will be undertaken – the other two will look at borrowing and spending. Financial well-being and the education of those in whose day-to-day lives this will make a significant difference, is now the focus of the Foundation. Going forward, the Foundation will measure its success on its achievements in this arena.

It is not expected that, going forward, charitable grants outwith this area of focus will be made as a matter of course. No such grants were made in 2017.

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. The Trustees are also sent relevant documentation including research and financial reports out with Board meetings.

There are also three Committees that report to the Board as follows: all Committees meet at least twice in any calendar year.

- 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, challenge of and advice to the Board on all investment matters; and
 - **Risk** - providing oversight and challenge of 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.

Trustees' report *continued*

- 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 Articles of Association and its strategic plan, and the selection, oversight, development, review, funding and management of research projects in line with the strategy.

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 remuneration of the Chief Executive Officer is set by the Board.

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. Howard Davies was appointed as Chief Executive Officer of the Foundation on 1 September 2016 and resigned on 20 November 2017. Mubin Haq was subsequently appointed as Chief Executive Officer of the Foundation on 29 May 2018. In the period between the resignation of 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.

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 ultimately 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. 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 the Foundation staff.

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. Prior to 2017, indemnity insurance was previously paid for by Standard Life Aberdeen plc and was accounted for by the Foundation as a gift in kind.

Related parties

Trustees are required to disclose all relevant interests (including registering all outside appointments) and must recuse 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. Membership of the Foundation is only open to Standard Life Aberdeen plc and only Standard Life Aberdeen plc 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. Standard Life Aberdeen plc agrees to contribute £1 in the event of the Foundation winding up.

The support that Standard Life Aberdeen plc provides the Foundation with includes funding, 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, which is also a subsidiary of Standard Life Aberdeen plc, has been appointed as the Foundation's investment manager. Related party transactions are disclosed in Note 13 to the financial statements.

There are also currently three (2016: four) Trustees who are also employees and/or directors of Standard Life Aberdeen plc and its subsidiary companies. The Foundation's Articles permit the Standard Life Aberdeen Trustees to vote in relation to matters that concern Standard Life Aberdeen plc or any of its subsidiary companies, in 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.

Trustees' report *continued*

FINANCIAL REVIEW AND PERFORMANCE

Achievements and performance

During the year, the Foundation appointed the University of Edinburgh Business School to carry out a critical review of research into spending and financial well-being. It also made plans for the similar reviews to be undertaken regarding borrowing and saving.

Board Committees have provided invaluable insight into the issues facing the Foundation – its own financial and governance challenges as well as the challenges facing those in society its work hopes to positively impact. The Research Committee was particularly strengthened by the addition of Professor Wendy Loretto, Dean of the Business School at Edinburgh University and it is expected that the Finance, Investment and Risk Committee will be similarly bolstered by the addition of Euan Stirling who is the Global Head of Stewardship and ESG Investing at Aberdeen Standard Investments.

Additionally, the core Foundation team was assembled with legal, administrative and finance appointments.

The Foundation is now a member of the Association of Corporate Foundations which provides a number of key benefits such as specialist intelligence on legislation and regulation, specialist training and access to wider networks.

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.

During 2017 the Foundation received donations of £81,318,059 (2016: £3,009,582) from the Standard Life Aberdeen plc, which primarily consisted of cash consideration totalling £81,314,223 (2016: £3,009,582) for the unclaimed assets of the UAT. There was also a small additional donation of £3,836 (2016: £nil) 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.

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

As detailed within this report, Edinburgh University Business School were awarded £24,050 during the year. This has enabled a critical review of available research into spending and financial wellbeing which will assist with the advancement of education and understanding in this area.

No further new grants were made in the year.

Financial review

The Foundation generated net income and hence, an increase in funds, of £82,282,192 (2016: net expenditure of £1,215,901) during the period. A charitable donation (including donated services) of £81,355,758 (2016: £3,143,674) from Standard Life Aberdeen plc primarily relating to the Unclaimed Assets Trust was offset by expenditure on the cost of raising funds of £556,784 (2016: £nil) and expenditure on charitable activities of £62,586 (2016: £1,856,797). The Foundation also recognised net gains on invested assets of £1,544,716 (2016: total losses of £70,976) and investment income of £1,599 (2016: £nil) during the year.

During the year the Foundation awarded £24,050 (2016: £nil) to Edinburgh University Business School to carry out a critical review of research into spending and financial wellbeing.

In 2016, the Foundation made awards totalling £600,000 to The Princes Trust; £107,683 to the Royal British Legion; £290,000 to SkillForce; and £275,000 to Tomorrow's People. Of these awards, a final payment of £175,000 to Tomorrow's People remained outstanding at 31 December 2016 and this was paid on 28 April 2017. No similar awards were made in 2017 and the Board of Trustees do not intend to make any similar awards in the future.

Trustees' report *continued*

At 31 December 2017 the Foundation had total unrestricted funds of £84,188,908 (2016: £2,976,975) including £1,126,172 (2016 : £55,913) revaluation reserve. The Foundation has no restricted funds and no amounts were designated or otherwise committed at 31 December 2017 or 31 December 2016.

Investment policy and performance

The donations received by the Foundation during the year 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 which generated interest of £1,599 (2016: £nil).

Investment return for the year ended 31 December 2017 was £1,544,716 (2016: loss on investment of £70,976). This was gross of investment management fees of £291,660 (2016: £nil). The Foundation did not hold significant investments prior to March 2017.

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 is the risk of loss, or adverse consequences for the organisation, resulting from inadequate or failed internal processes, people or systems, or from external events.

The Trustees are satisfied that adequate controls are in place to mitigate the exposure to these risks and to limit any potential exposure to other types of risk.

FUTURE PERIODS

Plans for future periods

Looking forward, the Foundation will continue in its aim to ensure that financial well-being is achievable throughout society, seeking both to influence public policy, and promote public awareness. This will be accomplished by continued research and the possible publication of findings which will inform and shape financial resilience in the UK.

Approved by order of the Board of Trustees on 5 June 2018 and signed on its behalf by:



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Alistair Darling
Chairman
Standard Life Foundation

Statement of Trustees' Responsibilities

The Trustees (who are also directors of Standard Life Foundation for the purposes of company law) are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and regulations.

Company and charity law requires the directors to prepare financial statements for each financial year. Under that law they have 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 directors 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 income over expenditure for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 directors 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 directors 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.

In so far as the Trustees are aware:

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

In preparing this Trustees' report, advantage has been taken of the small companies' exemption, including the requirement to produce a strategic report.

Approved by order of the Board of Trustees on 5 June 2018 and signed on its behalf by:



Alistair Darling
Chairman
Standard Life Foundation

Independent Auditor's Report to the Member and Trustees of Standard Life Foundation

Opinion

We have audited the financial statements of Standard Life Foundation ("the charitable company") for the year ended 31 December 2017 which comprise the statement of financial activities (including income and expenditure account) for the year ended 31 December 2017, 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 2017 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Trustees' report

The Trustees are responsible for the Trustees' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon. Our responsibility is to read the Trustees' report 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 Trustees' report;
- in our opinion the information given in that report for the financial year 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
- 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.

Directors' responsibilities

As explained more fully in their statement set out on page 9, 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 member, 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 member 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 member 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

5 June 2018

**Statement of Financial Activities (including income and expenditure account)
For the year ended 31 December 2017**

	Note	Unrestricted 2017 £	Unrestricted 2016 £
Income:			
Donations and legacies	1	81,355,758	3,143,674
Investment income	2	1,599	-
Total income and endowments		81,357,357	3,143,674
Expenditure on:			
Cost of raising funds	3	556,784	-
Expenditure on charitable activities	4	63,097	1,856,797
Total expenditure		619,881	1,856,797
Net gains/(losses) on investments	8	1,544,716	(70,976)
Net income and net movement in funds for the year		82,282,192	1,215,901
Reconciliation of funds:			
Total funds brought forward at 1 January		3,032,888	1,816,987
Total funds carried forward at 31 December	12	85,315,080	3,032,888

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.

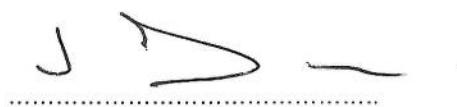
Balance Sheet As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	8	82,909,495	193,280
Total fixed assets		82,909,495	193,280
Current assets			
Debtors	9	4,062	-
Investments	8	2,594,865	-
Cash at bank and in hand		8,720	3,014,608
Total current assets		2,607,647	3,014,608
Current liabilities			
Creditors: amounts falling due within one year	10	202,062	175,000
Total current liabilities		202,062	175,000
Net current assets		2,405,585	3,032,888
Net assets		85,315,080	3,032,888
Total funds of charity:			
Unrestricted funds	12	84,188,908	2,976,975
Revaluation reserve	12	1,126,172	55,913
Total unrestricted income funds	12	85,315,080	3,032,888

Approved by order of the Board of Trustees on 5 June 2018 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 12 to 21 form an integral part of these financial statements

Statement of Cash Flows For the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities:			
Net cash provided by operating activities		80,760,476	1,100,357
Cash flows from investing activities:			
Proceeds from sale of investments	8	560,677	1,786,674
Purchase of investments	8	(84,327,041)	-
Net cash (used in)/provided by investment activities		(83,766,364)	1,786,674
Change in cash and cash equivalents in the year		(3,005,888)	2,887,031
Cash and cash equivalents at the beginning of the year		3,014,608	127,577
Cash and cash equivalents at the end of the year		8,720	3,014,608

Notes to the statement of Cash Flows For the year ended 31 December 2017

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

	2017 £	2016 £
Net income for the year (as per the statement of financial activities)	82,282,192	1,215,901
Adjustments for:		
(Gains)/losses on investments	(1,544,716)	70,976
(Increase)/decrease in debtors	(4,062)	-
Increase/(decrease) in creditors	27,062	(186,520)
Net cash provided by operating activities	80,760,476	1,100,357

2. Analysis of cash and cash equivalents

	2017 £	2016 £
Cash at bank	8,720	3,014,608
Total cash and cash equivalents	8,720	3,014,608

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 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 intragroup 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. Support costs are allocated between costs of raising funds and charitable activities. Other than certain legal fees, no support costs are incurred directly in relation to raising funds or charitable activities and therefore generally these 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

Grants commitments are recognised when the Foundation formally notifies the recipient of the awards following approval by the Trustees. Grant commitments for which expenditure 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 on 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.

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

	2017 £	2016 £
Donations	81,318,059	3,009,582
Donated services and facilities	37,699	134,092
Total donations and legacies	81,355,758	3,143,674

During the year Standard Life Aberdeen plc made a charitable donation of £81,318,059 in cash (2016: £3,009,582). The donation follows 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 enduring research focussed on financial resilience and well-being.

Included within donations is £4,210,289 (2016: £3,009,582) 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 2017 and 2016 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 £30,983 (2016: £nil). Previously the Foundation had no dedicated staff and hence no requirement for office space.

Prior to the appointment of the Foundation's Legal Counsel and Company Secretary in July 2017, Standard Life Aberdeen plc also provided company secretariat support valued at £6,715 (2016: £9,697).

In 2016 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. In 2016 Standard Life Aberdeen plc also donated the audit fee of £1,390. These costs are a gift in kind borne by Standard Life Aberdeen plc and have been recorded as donated services and treated as general donations to the Foundation.

2. Investment income

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

	2017 £	2016 £
Bank interest income	1,599	-
Total income from investments	1,599	-

3. Costs of raising funds

		2017 £	2016 £
Investment management fees	13	291,660	-
Support costs	5	265,124	-
Total costs of raising funds		556,784	-

4. Charitable activities

The following grants were awarded during the year:	Note	Grants £	Support Costs £	Total 2017 £	Total 2016 £
The Princes Trust		-	-	-	604,935
The Royal British Legion		-	-	-	108,851
Tomorrow's People		-	-	-	552,550
Skill Force		-	-	-	295,781
Total grants awarded and paid		-	-	-	1,562,117
Edinburgh University Business School		24,050	11,714	35,764	-
Tomorrow's People		-	-	-	175,000
Total grant commitments	10	24,050	11,714	35,764	175,000
Total grants awarded		24,050	11,714	35,764	1,737,117
Other support costs	5	-	27,333	27,333	119,680
Total charitable activities		24,050	39,047	63,097	1,856,797

Total grant commitments consist of grants that have been awarded during the year but have not yet been paid. Support costs of £11,714 (2016: £14,434) have been allocated to specific grants made in the year. During the year additional costs of £27,333 were incurred in relation to establishing procedures and terms and conditions for the awarding of research grants generally which have not been allocated to the award made in the year as it will benefit future charitable activities.

5. Support costs

	Note	Costs of Raising Funds £	Charitable Activities £	Total 2017 £	Total 2016 £
Staff costs	7	207,777	17,133	224,910	-
Donated services and facilities	1	34,827	2,872	37,699	132,724
Governance costs		10,273	18,032	28,305	1,390
Travel and accommodation- staff		8,943	737	9,680	-
Office costs and other		3,304	273	3,577	-
Total support costs		265,124	39,047	304,171	134,114

The breakdown of governance costs in the year is as follows:

	2017 £	2016 £
Legal costs	17,185	-
Auditor remuneration	5,000	1,390
Trustees indemnity insurance	3,080	-
Trustee expenses	3,040	-
Total Governance costs	28,305	1,390

Legal fees in 2017 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. Auditor remuneration and trustee expenses have been allocated between charitable activities and costs of raising funds on the same basis as other support costs.

6. Trustees remuneration

No Trustee received any emoluments or benefits in kind during the year (2016: £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 2017 in respect of Trustee expenses was £3,040 (2016: £nil) and is included within Governance Costs (see note 5). The number of Trustees reimbursed during the year was seven (2016: none).

7. Staff costs

All staff costs are expenditure on staff working for the Foundation whose employment contracts are with Standard Life Employee Services Limited (SLES�). SLES� 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.

	2017 £	2016 £
Wages and salaries	168,137	-
Social security costs	18,724	-
Pension contributions	26,570	-
Other employee benefits	11,479	-
Total staff costs	224,910	-

Previously the Foundation did not have dedicated staff and was supported by Standard Life Aberdeen plc. As a result staff resource costs were accounted for by the Foundation as a donated service in the Statement of Financial Activities in 2016.

The average number of full-time equivalent employees in 2017 was three employees (2016: no employees).

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 £108,461 during 2017 (2016: £nil).

One employee (2016: no employees) received a full-time equivalent salary, plus benefits in kind of more than £60,000 per annum in 2017:

Salary band	No of employees 2017	No of employees 2016
	£100,000 to £109,999	1

8. Investments

	2017 £	2016 £
Market value at beginning of year	193,280	2,050,930
Acquisitions	84,327,041	-
Distributions from investments	419,147	-
Disposal proceeds	(560,677)	(1,786,674)
Net gain/(loss) on revaluation	1,125,569	(70,976)
Market value at end of year	85,504,360	193,280

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

Net gain on revaluation of investment assets of £1,125,569 (2016: net revaluation loss of £70,976) relate to realised losses on sale of investments of £603 (2016: realised gains of £507,922) and unrealised gains of £1,126,172 (2016: unrealised losses of £578,898) during the year.

Distributions from investments of £419,147 (2016: £nil) consist of accumulation dividends received during the year. The accumulation dividends have been presented within 'Net gains/(losses) on investments' in the Statement of Financial Activities.

Included within investments of £85,504,360 (2016: £193,280) is £2,594,865 (2016: £nil) of current asset investments. This relates to an investment in a liquidity fund.

9. Debtors: amounts falling due within a year

	2017 £	2016 £
Prepayments	3,080	-
Accrued income	982	-
Total debtors	4,062	-

10. Creditors: amounts falling due within a year

	2017 £	2016 £
Grants awarded and payable	24,050	175,000
Due to auditor (see note 11)	5,000	-
Due to related parties (see note 13)	173,012	-
Total creditors	202,062	175,000

Movement in recognised grant commitments	2017 £	2016 £
Grant commitments recognised at 1 January	175,000	361,520
Grants charged to the SoFA in year (see note 4)	24,050	1,722,683
Grants actually paid during the year	(175,000)	(1,909,203)
Amount of grant commitments recognised as at 31 December	24,050	175,000

11. Auditor remuneration

	2017 £	2016 £
Fees payable to the Foundation's Auditor	5,000	1,390
Auditor remuneration	5,000	1,390

The audit fee for the audit of the 2016 annual accounts of £1,390 was paid for by Standard Life Aberdeen plc as a gift in kind. In 2017, the fee was met by the Foundation.

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 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

	Unrestricted income funds £	Revaluation reserve £	Total unrestricted funds £
1 January 2016	1,182,176	634,811	1,816,987
Sale of investments	(1,786,674)	-	(1,786,674)
Transfer from revaluation reserve	507,922	(507,922)	-
Net gains/(losses) on investments	-	(70,976)	(578,898)
Decrease in creditors	186,520	-	186,520
Increase in cash and cash equivalents	2,887,031	-	2,887,031
31 December 2016	2,976,975	55,913	3,032,888

13. Related party transactions

As noted in note 1 Standard Life Aberdeen plc donated £81,318,059 (2016: £3,009,582) to the Foundation during the year. No amounts were due from Standard Life Aberdeen plc at 31 December 2017 or 31 December 2016. In 2016 the audit fee for the Foundation was borne by Standard Life Aberdeen plc.

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 £224,910 (2016: £nil) 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 £79,332 (2016: £nil). Standard Life Employee Services Limited has also donated services to the Foundation on behalf of Standard Life Aberdeen plc. Refer to Note 1 for further details.

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 £291,660 (2016: £nil). At the end of the period, amounts owed to Standard Life Investments Limited were £93,681 (2016: £nil) in respect of investment management fees.