

THE EARL HAIG FUND SCOTLAND
Scottish Charity Number (SC014096)
(A Company Limited by Guarantee)
Company Number (SC 194893)

MISSION STATEMENT

The Earl Haig Fund Scotland supports those in need who have served in the Armed Forces and their dependants in Scotland. The charity raises funds and relies on the commitment of individual volunteers, groups of volunteers, and other ex-Service organisations to meet these challenges.

The Earl Haig Fund Scotland will do this by:-

- **Organising the annual Scottish Poppy Appeal**
- **Organising additional fundraising/publicity events throughout the year**
- **Identifying and relieving need**
- **Providing sheltered employment**
- **Promoting the development of Veterans Scotland**

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

GROUP AND COMPANY REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2011

Contents	Page
Reference and Administrative Information	3-4
Chairman's Report	5-6
Chief Executive's Report	7-8
Directors' Report	9-17
Auditor's Report	18-19
Consolidated Statement of Financial Activities	20
Company Statement of Financial Activities	21
Consolidated and Company Balance Sheets	22
Consolidated Cash Flow Statement	23
Notes to the Financial Statements	24-36

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

The Earl Haig Fund Scotland is a charitable company with one subsidiary, The Lady Haig Poppy Factory Limited, producing group financial statements. The company is involved in a range of activities for the benefit of the ex-Service community in Scotland including fundraising and the provision of charitable services.

Reference and Administrative Information

President

Lieutenant General Sir Alistair Irwin KCB CBE MA FCMI Finst CPD

Directors

Major D A J Noble DL*†

Mr K Barclay

Mr I Bell FCIBS*†

Mr G Curran

Professor A M Davison RD MD

Lieutenant Commander I C Douglas RD BArch (Hons) FRIAS RIBA

Major H Evans TD*† (resigned 12/10/2010)

Mr A C O Fergusson

Lieutenant Colonel C G O Hogg OBE DL

Colonel A Lapsley QVRM TD DL*†

Mr D Roy (appointed 31/08/2010)

Commodore C J Stait CBE

Mr G O Sutherland CA FCMI FRSA*†

Mr A S Watson*

* Member of the Finance & Investment Committee

† Member of the Audit Committee

Chief Executive

Mr I M McGregor MA (Oxon)

HR and Training Manager

Mrs D M Barclay BA Cert Mgt

Head of Fundraising

Mr C Flinn

Head of Charitable Services

Mr G Gray (resigned 17 September 2010)

Mr P Hayllor (appointed 6 December 2010)

Company Secretary

Mrs D M Barclay BA Cert Mgt

Head of Finance

Mr A J Christie MA (Hons) CA

**Head of Marketing & Commercial
Services**

Mr F Bedwell

The Lady Haig Poppy Factory

Major C Pelling

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

Registered Office

New Haig House
Logie Green Road
Edinburgh
EH7 4HR

Tel: 0131 557 2782

Fax: 0131 557 5819

Bankers

The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Investment Managers

Sarasin & Partners
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

Branch Office

Unit 15, The Claremont Centre
15-39 Durham Street
Kinning Park
Glasgow
G3 8AZ

Tel: 0141 427 8490

Fax: 0141 427 9021

Legal Adviser

Gillespie Macandrew LLP
5 Atholl Crescent
Edinburgh
EH3 8EJ

Auditor

Chiene + Tait
Chartered Accountant and
Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

CHAIRMAN'S REPORT

This year has been one in which The Earl Haig Fund Scotland (Poppyscotland) has chosen to negotiate a very significant strategic crossroads. Over the last five years, the charity has undergone significant change, embarking on a revitalising programme of modernisation which has raised our public profile, expanded our fundraising capacity and greatly extended the range and scope of our charitable work. The purpose of this change was to help us to find out more about the needs of Service veterans and their dependants in Scotland, to find ways to reach them more effectively and to provide them with a wider range of support, whilst telling the public more clearly what Poppyscotland does and increasing the income of the charity. Good progress has been made in all these areas, but it has been the Board's goal continually to look for ways to improve the lot of veterans living in Scotland. That is, after all, the purpose for which the charity was formed over 50 years ago.

Poppyscotland is at the end of the first year of a two-year plan, which includes addressing the need to assess the effectiveness of the changes that we introduced and to adjust them where necessary while also developing plans for the years beyond. In light of the experience of the last few years it became apparent to the Board that, while some very good progress has been made, there are distinct limits to what can be achieved with our limited resources. It is a frustrating but unavoidable fact that these mean that we cannot provide all the services to Scottish veterans that are available to veterans elsewhere in the United Kingdom. Similarly, our fundraising capacity is more limited than we would wish.

Much thought has therefore been given to these issues and how best to make a major leap forward that will give Scotland's veterans the same opportunities as those enjoyed by veterans in England, Wales and Northern Ireland. It was put to the Board that such a significant change could not be made by Poppyscotland on its own; we would need to pool resources with another entity whose aims and range of activities are close to our own. After due deliberation, the Board concluded that this warranted detailed consideration and that the obvious organisation with whom to explore such a step was our sister charity operating in the same sphere in England, Wales and Northern Ireland, The Royal British Legion, with whom we already work very closely. Consequently, the Board in September 2010 decided that an approach should be made to The Royal British Legion with a view to exploring the feasibility of a merger between the two organisations.

The purpose of this approach to The Royal British Legion was very specific: it was to effect a step-change in the level and range of support available to veterans and their dependants in Scotland. The Board also considered that there might conceivably be other benefits were a merger to proceed, but this step-change was their prime objective in making the approach.

The approach was welcomed by The Royal British Legion and a process of detailed talks led by specially-established working parties from both charities ensued. These covered all aspects of our current activities and relationships in Scotland and included both the special place of The Lady Haig Poppy Factory and our wish to maintain far into the future our very close relationship and collaboration with The Royal British Legion Scotland.

The reporting period has therefore been one of considerable activity. The merger work has been undertaken in parallel with the other routine and not-so-routine work of the charity which is covered more fully in the Chief Executive's report and the departmental reports which follow. It is to the great credit of all the Poppyscotland staff that the very considerable achievements these describe have been attained despite this additional workload and the difficult economic climate.

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

CHAIRMAN'S REPORT (cont'd)

I must in conclusion express my thanks to my fellow directors for their support over the year and record the retirement of and convey my thanks to, Mr George MacDonald and Major Harvey Evans. Mr MacDonald is replaced by his successor as Chairman of The Royal British Legion Scotland, Mr Dallas Roy. Major Evans served for 5 years on the Poppyscotland Board in his capacity as the Chairman of The Officers' Association Scotland and has been a loyal and industrious servant of Poppyscotland. I am grateful to both for all they have done during their service on the Board.

**David A J Noble
Chairman**

June 2011

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

CHIEF EXECUTIVE'S REPORT

There can in recent years have been few Earl Haig Fund Scotland (Poppyscotland) reporting periods which have been more intense and eventful than that covered by this report. The war in Afghanistan has continued to generate pressures, compounded by the outcome of the 2010 Defence Review, which demonstrated how tight Government finances are. There is no ignoring either how very difficult the present economic environment is for public, private and third sector organisations. Veterans issues have continued to be the subject of extensive public debate, during which it has been clear that the Scottish public, and indeed the public throughout the United Kingdom, strongly support our Armed Services and Service veterans and wish to help them to address the difficulties they at times encounter. It is reassuring to note that this strong support has been tangible as well as moral; I am glad to be able to report that at a time when the income of many charities has fallen Poppyscotland's has not only held firm, it has actually increased. Considerable effort has been made by our staff and volunteers to make this happen, but the greatest credit must go to the Scottish public, to whom we are as always greatly indebted.

Our policy of progressing our own projects and more routine benevolence in parallel with collaborative work with other charities has continued to work well. Once again we have focused strongly on lending practical support to our beneficiaries, whether in the form of one-off or annual grants-in-aid, or in funding wider projects for veterans and their dependents. We also continue to offer occupational therapy and mobility services.

Our financial support to projects and activities put forward by other charities has again this year been extensive. Cash and accommodation grants totalling £959,232 have been made to support work by other charities supporting veterans. After much planning and deliberation, we finally launched the Armed Services Advice Project, a Poppyscotland initiative run in collaboration with Citizens Advice Scotland. This extends specialist advice to veterans in need both through a helpline and dedicated offices across the country. This has been achieved through a funding partnership with the Army and RAF Benevolent Funds, The Maritime Funding Group, SSAFA Forces Help, Turn2Us and The Robertson Trust and it has already been highly successful in identifying and addressing the frequently multiple and complex needs of veterans. We believe this has marked a breakthrough in reaching hitherto hard-to-reach veterans. The project has also attracted great and benign press and political interest.

Looking ahead, we see supported employment for disabled and vulnerable veterans as an area on which we may need to give increased focus. Over the last eighteen months Poppyscotland has been leading a Veterans Scotland working party examining this area. Our work in extending vocational training grants and small business loans to veterans has continued apace, the latter having been greatly enhanced by our participation as Scottish facilitators of The Royal British Legion's *Be the Boss* Business Loan Scheme which has the capacity to extend funding support of up to £30,000 to veterans presenting business start-up proposals. Similarly, we continue with pride to fund and support the work of The Lady Haig Poppy Factory and its workforce of disabled veterans. Supported Employment is however, an area in which we believe need is likely to grow and through the working party we are looking to identify new avenues for generating more support for vulnerable and disabled veterans seeking to work. As is often the case, solutions are likely to come through cooperation and collaboration with charities both within and outwith the veterans' sector.

Our fundraising efforts this year have met with very encouraging results. Although income from our Hearts and Heroes Challenge fell as the national economy contracted, corporate sponsorship proving particularly difficult to secure, our wider year-round fundraising exceeded overall targets set in our Operational Plan with a new raffle initiative run in collaboration with The Royal British Legion proving notably successful. The year also saw us expand our engagement with younger people in several encouraging ways. Our selection as the beneficiary charity for the Edinburgh Student Fashion Show in 2010 seemed to stimulate interest and we were the beneficiaries of a Rag Week fundraising challenge between the students of Glasgow and Edinburgh universities during the Scottish Poppy Appeal.

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

CHIEF EXECUTIVE'S REPORT (cont'd)

Our education programme took another step forward with the production and distribution of "The Journey", a film aimed at senior school students which depicts the experiences and reactions of a group of secondary pupils from Dunbar High School on a trip to the battlefields of Flanders and Picardy. The film is moving and instructive and has been well received, as was our second Schools Poetry Competition which attracted over 1,000 entries. Our research shows that among younger people we are achieving very encouraging levels of recognition of Poppyscotland and the Scottish poppy as symbols, and that they have a better understanding of what we do and why than many older people. This suggests that our education programme is bearing fruit. That is good not only for Poppyscotland, but for the Scottish veterans charity sector as a whole.

Any fears that the Scottish public would react to the contracting economy by withholding or reducing their support to the Scottish Poppy Appeal were dispelled by this year's appeal outcome. We again achieved a record total of £ 2,351,922 in public donations, an increase of 5%. Though this increase was smaller than the spectacular increases of recent years, the fact is that the income to the Appeal has increased by 50% overall over the last five years and of late third sector income has in many instances been falling. The Scottish public's continuing generosity has been tremendously encouraging, as has also been the continuing exemplary commitment and dedication of our army of volunteers who distribute tins and poppies and collect from the public. Once again, I must record my thanks for the admirable efforts of our volunteers from The Royal British Legion Scotland. To them and to all who have helped us over the year in ways great and small, I extend our heartfelt gratitude.

The year saw the conclusion of the Veterans Scotland Strategic review begun in 2009. The fundamental structure of Veterans Scotland has not been altered and Poppyscotland continues to head its Support Pillar. However, within that structure, a range of Working Parties have been established as vehicles for a more flexible approach and greater cooperation in meeting veterans' needs. Poppyscotland leads working parties on employment, advice and support and grant-giving, as well as participating in groups covering other subjects. We continue therefore, to be able to influence policy and debate and to engage with governments and public agencies both north and south of the border in advancing the welfare of veterans.

Our merger discussions with The Royal British Legion, described more fully in the Chairman's report, have of course been a major element of our activity this year. Though they have generated a significant workload, this has not inhibited our wider work in any way, indeed if anything the internal debate it has generated has been stimulating. Staff have worked with vigour and good humour throughout the year and morale has been perceptibly high. Now that the matter is settled, we look forward with the greatest collective eagerness to furthering the work of the charity, as newly brigaded, with renewed energy.

**Ian M McGregor
Chief Executive**

June 2011

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

REPORT OF THE DIRECTORS

The directors submit their annual report and audited financial statements for the year ended 31 March 2011. The directors have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 in preparing the annual report and financial statements of the company.

Structure, Governance & Management

The company, which is a registered Scottish charity, is limited by guarantee and is governed by a Memorandum and Articles of Association. It was incorporated on 26 March 1999. Before that date the activities of the company were carried out by The Earl Haig Fund Scotland, an unincorporated charitable body, which ceased its activities and transferred all of its assets and liabilities to the company on 1 May 1999.

Appointment and Induction of Directors

The Chairman and the Board of Directors consider the recruitment of new Directors periodically with a view to maintaining a diverse profile and ensuring that different areas of expertise are represented. Directors hold office for an initial period of 3 years.

New Directors receive a comprehensive Induction Pack in order to become familiarised with the work of the charity. Areas covered are:

- Duties and responsibilities of Company Directors and Charity Trustees
- The history of the charity
- Organisation and management of the charity
- The Memorandum and Articles of Association governing the charity
- Funding Sources
- Provision of charitable services
- Current financial position of the charity
- Future plans and objectives

Directors are invited to attend a seminar at least once a year for an update on current charity legislation and are reminded of their duties and responsibilities as Trustees.

Decision Making

In accordance with the Memorandum of Association and the Articles, the business of the Company is managed by the Board of Directors who meet quarterly and who may exercise all the authority of the Company. The Board delegates authority to a Finance & Investment sub-committee and a Property sub-committee. In addition, the Audit, Remuneration, Charitable Services and Fundraising & Marketing Committees oversee activities within their respective areas. These committees are governed and regulated in accordance with the Articles of Association.

Details of Related Parties

For details of related parties please refer to Note 28 of the financial statements.

Risk management

During 2010 the directors reviewed the major risks to which the company is exposed using a formal risk management process. This process involved identifying the types of risk facing the company, assessing them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the directors reviewed the company's current internal controls and a comprehensive Risk Register was drawn up and approved by the Directors at a Board meeting on 10 January 2011.

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

REPORT OF THE DIRECTORS (cont'd)

Objectives & Activities

The Company's principal objectives are to relieve suffering, hardship and distress and to promote the relief of need and to promote education:

- among persons, who have at any time served with any branch of the naval, military and air forces of the Crown and allied nursing services and who are resident in Scotland or were born in Scotland or were domiciled in Scotland when they joined the forces of the Crown;
- and among the spouses, widows, widowers, children and dependants of any of the aforementioned persons who are resident in Scotland or were domiciled in Scotland at the time of the death of the member of the forces of the Crown or allied nursing services with whom they were connected;

by making grants of money, loans, guarantees and generally by any other financial methods and generally by aiding, assisting and promoting the benefit of all such persons in any manner which is charitable.

Main objectives for the year

Charitable Services

- To continue to support individuals as required.
- To progress the National Advice project with Citizens Advice Scotland.
- To continue relevant research into the needs of veterans in Scotland.
- To progress our supported employment aims in conjunction with Veterans Scotland.

Fundraising

- To roll out legacy strategy.
- To participate in a UK-wide raffle with The Royal British Legion.
- To develop our presence on social networking sites.
- To operate a second Poppyscotland Hearts and Heroes Challenge.

Marketing

- To redefine a Poppyscotland Case for Support and develop a 5-year brand strategy.
- To conduct market research to gauge public attitudes towards charitable giving and veterans' issues generally.
- To develop a comprehensive retail portfolio.
- To redevelop our online and digital presence.

Properties

- To carry out a dilapidations survey of the New Haig site and draw up a planned maintenance programme.
- Identify alternative office accommodation in Glasgow.

Poppyscotland will continue to act as the lead charity of the Veterans Scotland Support Pillar.

Significant areas of activity

The undernoted significant areas of activity were carried out in pursuit of the objectives and aims of the charity:

Achievements and Performance

Charitable Services

In accordance with the principal objectives of the company to relieve suffering, hardship and distress, benevolence assistance and support amounted to £2.08m.

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

REPORT OF THE DIRECTORS (cont'd)

Charitable Services cont'd

£798,737 was spent directly on supporting 1,360 individuals in need of financial assistance. This support took the form of one-off and annual grants and was provided to enable clients to overcome financial crises of varying types and complexity as well as assisting with respite breaks and vocational training. A further £61,200 was paid out to 12 clients in the form of loans to support Poppyscotland's business start-up initiative whereby eligible applicants are provided with initial funding to set up in business; since the launch of this initiative in 2008 a total of 26 clients have been assisted.

£959,232 was applied to support charitable activities undertaken by other ex-Service organisations fulfilling aims and objectives within the spirit of our Constitution.

Charitable Services staff have been trained in the use of the Confederation of British Service and Ex-Service Organisations (COBSEO)/SSAFA Forces Help led Casework Management System (CMS). Following its introduction in January 2010, it is now seeing a much wider take-up rate as more branches and caseworkers come on line and access the system. The system allows for rapid response and easier almonisation as all likely funders can see what sums have been committed by others. Furthermore, the electronic nature of the process reduces, and sometimes eliminates, multiple photocopying costs, postage costs, office storage space and document security issues. The system is seen as having great utility and adding huge value across all veteran charities.

We continue to work side by side with SSAFA Forces Help Scottish caseworkers and this strategic partnership approach provides both resource efficiencies and integrity of process in providing grant support. The Head of Charitable Services is an integral part of the training process for SSAFA caseworkers in Scotland and in return, we are indebted to the work and diligence of their volunteers.

Our relationship with SSAFA Forces Help is very strong. Our grant making follows a rigorous process of firstly needs assessment through the volunteer caseworkers then grant allocation by independent scrutiny of statement of case. During 2010/11, some 175 applications were refused (on the grounds of either financial ability to resolve the issue or inappropriate requests). This independent check confirms that charitable funds are spent carefully and for essential needs.

The Armed Services Advice Project is working well, both in terms of infrastructure and requests for assistance. The Nairn Office experienced low initial take-up rates so a new bus and television advertising campaign has been initiated to raise awareness of the service. Overall, the regional bureaux are working at planned capacity but calls to the helpline are lower than expected. Typical issues raised by callers are benefits and debt advice, and difficulties with housing, employment, healthcare, legal and relationships. A new e-Learning module is due to be released in May 2011, which will be free-to-use by all front line advice workers across Scotland. This module is intended to promote greater awareness of the background of veterans, the impact of service life and of military experience upon them, and thus to engender greater understanding of the problems they may face.

Poppyscotland leads the Veterans Scotland working group on supported employment (as well as The Lady Haig Poppy Factory being a supported employer) and now has a seat on the Scottish Government Supported Employment Framework Implementation Board. There have been strong parallels of work activity and outcomes between our own working group and that of the Scottish Government, with our client grouping experiencing additional difficulties such as isolation, poor life skills and coping techniques and a lack of awareness of employment opportunities. Our work continues and we will host a conference on 27th June 2011 at the Royal Botanic Garden Edinburgh to identify the issues and showcase a possible support model.

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

REPORT OF THE DIRECTORS (cont'd)

Charitable Services cont'd

Our own independent research into the employment needs of veterans with vulnerabilities and disabilities concluded that a new support model was required, matching the needs of the individual to opportunities with employers with suitable support mechanisms in place. "Place then train" is the recommended approach and through joint funding from Poppyscotland and The Gannochy Trust, we have been able to recruit a specialist supported employment advisor to work with the Regular Forces Employment Association. Poppyscotland continues to have a seat on the research committee of The Royal British Legion.

The Scottish Helpline for Older People is now fully operational and achieving high levels of usage from some 18,000 older people annually. The need for a consortium to run it has been made redundant and Age Scotland now has the operational lead (from Scottish Government). However, a new older peoples' issues forum has been established and Poppyscotland has a seat on this. Poppyscotland sees the care and support of older people as a major area of activity in the future.

The Gateway Pilot project for alcohol abuse in Inverclyde, a collaborative project with the Scottish Association for Mental Health (SAMH), came to a natural end in March 2010 having supported some 35 veterans. However, SAMH have now fully adopted the service and continue to provide it as a mainstream activity.

Poppyscotland continues to have a seat on the Scottish Prison Service Veterans In-reach working group and we are reassured by current activities. VICS (veterans in custodial services) is a nationally (UK) adopted approach now being applied by the Scottish Prison Service to identify and support veterans in prison. In Scotland, this is being extended to a newly developed induction programme for new prisoners and also prison officers, to make them aware of the support mechanisms that they can access. "Inside Times" is a national magazine which prisoners receive and both SSAFA Forces Help and The Royal British Legion advertise monthly. Any contact from a Scottish veteran in custody is automatically referred to Poppyscotland who will then initiate an in-reach visit from a SSAFA Forces Help caseworker.

Fundraising

The Scottish Poppy Appeal had another record year, raising £2,351,922 a 5% increase over the previous year. Overall, £2,988,879, a 20% increase on the previous year, was raised through the efforts of Poppyscotland's team of fundraisers with a further £288,258 being added through the receipt of legacies; in summary, it has been an excellent year with the fundraising team exceeding its overall budgeted target by 7%.

We developed a major new initiative with our sister organisation, The Royal British Legion – the Poppyscotland Raffle. Over the next five years, every household in Scotland will be given the opportunity to purchase raffle tickets with three raffles operating each year. Since the first draw in the spring of 2010, over £150,000 of donations alone have been achieved. The raffles are projected to bring Poppyscotland over £3.5m of new net income.

We continued to develop and expand our individual giving fundraising activities. Amongst other developments, our home money box, in memoriam and online giving initiatives were expanded. Our Autumn Mailing proved particularly successful raising £75,798, 15% above target. As a result of the new raffle initiative, we undertook a pilot Regular Giving campaign with raffle players. Overall, we achieved an 18% recruitment rate, 13% above target, which augurs well for long-term giving.

2010/11 saw the final phase of Poppyscotland's 3 year Education initiative – 'Sowing the Poppy seed'. New materials were developed for the 14+ age group and made available online to all schools in Scotland. A new film was produced, entitled 'The Journey' and followed the experiences of a group of young people from Dunbar Grammar School on a First World War battlefield trip to France and Belgium. Our national schools poetry competition was held for the second year.

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

REPORT OF THE DIRECTORS (cont'd)

Fundraising (cont'd)

Our Community Fundraising function saw a successful second year of operation contributing £338,800 to the overall fundraising total. Corporate Charity of the Year relationships were achieved including Baker Tilley and McCarthy and Stone. Our target of 12 Support Groups was achieved and we ran a number of successful events including Ayr Races. The second Hearts and Heroes Challenge was held in May 2010, with 517 participants taking part and raising £185,000 gross income.

Our legacy strategy was successfully rolled out and included the production of relevant and appropriate literature.

Marketing

Progress continues to be made in increasing awareness levels of Poppyscotland, and also in developing the public's understanding of what we do. Qualitative research was undertaken in June and offered a valuable insight into the view of consumer groups from various demographic backgrounds and age profiles. Our case for support and brand strategy continues to follow a natural evolution, combining the insight gained from our market research together with our analysis of the media agenda and world events. This enabled us to create our most impactful advertising campaign to date featuring a young veteran who had recently lost his legs in an IED explosion in Afghanistan.

In addition to our TV advertising, we also entered a media partnership with the Scottish Sun newspaper which not only led to significant editorial coverage in Scotland's most read newspaper, it also enabled us to commission a series of one-minute programmes with STV entitled "And on we fight". The three short films featured a young woman who had just left the army and was struggling to adjust to civilian life, the wife of a veteran who suffers from PTSD and an World War Two veteran who still carries around the mental scars over 60 years on.

A media partnership was also established with the Bauer Radio group, which runs 14 local radio stations throughout Scotland. The AM platforms broadcast a four hour programme from The Lady Haig Poppy Factory during the Appeal and featured interviews with key members of staff, volunteers, Poppyscotland beneficiaries and some school children who were visiting the Factory.

2010 also saw us introduce a full range of retail merchandise for supporters to purchase. Although this did not go on sale until late September the new range proved to be extremely popular and it gives the charity a very strong foundation on which to build the retail offering in the future.

Social media has become a central element of Poppyscotland's year round marketing with supporters and the general public. This aspect of our marketing received particular attention over the year. Our Facebook page now boasts over 6,000 followers, our Twitter messages have reached over 2 million users and our films on our YouTube video channel have been viewed over 10,000 times.

More traditional media coverage of the charity through local and national press and broadcasters continued to be high, particularly when we involved any of our celebrity ambassadors. Our ambassador list now includes Lorraine Kelly, Jackie Bird, Sally McNair, Rory Bremner and the twelve SPL football teams.

The only significant objective in this area which did not progress as far as intended was redefinition of the Poppyscotland Case for Support and our longer-term broad strategy. Efforts will be made to progress this in the coming period.

Properties

Some progress has been made on the dilapidations survey but this proved to be a bigger task than anticipated and will require further time to bring to completion.

Possible suitable alternative premises for the Glasgow office have been identified but the process of acquiring them is still ongoing.

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

REPORT OF THE DIRECTORS (cont'd)

Volunteers

The company relies upon and appreciates the efforts of the army of volunteers across Scotland, most especially members of The Royal British Legion Scotland who help with the annual Scottish Poppy Appeal. We are also indebted to all of our supporters for their enthusiastic help outwith the Poppy Appeal. We are grateful to the volunteers of SSAFA Forces Help for all the caseworking they do which enables us to make our benevolence awards.

Manufacturing

Manufacturing costs incurred by the company's subsidiary, The Lady Haig Poppy Factory Limited, amounted to £745,684 (2010: £675,926), and includes the cost of poppies and wreaths made by our disabled workforce in preparation for the annual Scottish Poppy Appeal in November 2010.

Group Financial Review

- Incoming resources amounted to £4,234,016 (2010: £3,320,787).

The company's income stream continues to be dominated by the Scottish Poppy Appeal held annually in November on behalf of the Scottish ex-service community and which raised £2.352m (2010: £2.239m), equivalent to 55% of total incoming resources – a 12% reduction in relative terms to the year ending 31 March 2010 and indicative of the expanding range of fundraising opportunities being offered to supporters throughout Scotland.

Donations and income raised from various fundraising activities amounted to £648,882 a 136% increase on the previous year and due in part to new collaborative initiatives with The Royal British Legion resulting in £254,000 of additional income (2010: £274,837).

Legacies are another important source of income and amounted to £288,258 with a further legacy of £5,000 being received by The Lady Haig Poppy Factory.

Investment income contributed a further £343,334 (2010: £291,015). Achieving a satisfactory level of investment income is a vital supplement to voluntary giving and it is pleasing to be able to report that Sarasin Partners have been able to provide a satisfactory level of income whilst increasing the capital value of the portfolio despite global economic uncertainty.

- Resources expended amounted to £4,092,777 (2010: £3,960,020) before exceptional items

The classification of expenditure reflects the adoption of the Statement of Recommended Practice 2005 in the preparation of the financial statements and the required allocation of general overhead and support costs to areas of core activity is explained in Note 12.

The cost to the group of generating funds amounted to £1,099,615 (2010: £972,485) and includes an allocation of marketing resources required to increase the profile of actual and planned fundraising initiatives.

Cost of activities in furtherance of the company's objectives amounted to £2,845,113 (2010: £2,886,989) and reflects the continuing level of resources required to support the needs of the ex-Service community in Scotland.

Investment policy and returns

The investment objective is "to achieve a reasonable income return on capital and to provide capital and income growth in "real" terms over the long-term". With this objective in mind the directors have given Sarasin and Partners, as investment manager, the discretion to manage the portfolio within an agreed risk profile to be measured against a composite benchmark

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

REPORT OF THE DIRECTORS (cont'd)

based on the strategic asset allocation model agreed in discussion with the Finance and Investment Committee. The investment manager provides a written report on a quarterly basis and meets with the Finance and Investment Committee bi-annually to review the portfolio's performance.

During the 12-month period under review the value of the portfolio has continued to recover from the lows experienced during the latter part of 2008 and early 2009. Despite the volatility experienced over the last 12 months, due in no small part to inflationary pressures and European debt concerns, the portfolio has generated £336,720 over the period and closed with a capital value of £9,215,282 as at 31 March 2011.

The global outlook remains somewhat uncertain but the investment manager has adopted a thematic structure incorporating a well diversified portfolio of international investment opportunities with a view to building on the capital and income returns generated since his appointment in 2010.

Reserves policy

The directors understand the need to ensure the availability of adequate reserves to meet future demands for charitable services as required by the company's Memorandum of Association.

The directors are satisfied that the asset base of the organisation incorporating the investment portfolio should be regarded as a form of expendable endowment fund providing a level of reserves with the primary function of generating income to offset the overhead functions within the organisation by maintaining a judicious investment policy.

Staff Pensions

The company has provided a defined benefit pension scheme for all eligible members of staff for many years. The assets of this Scheme are held separately from those of the company and are managed by independent trustees.

As a result of the increasing costs and levels of risk associated with this type of scheme, the directors decided to close the Scheme to new members with effect from July 2002. New members of staff eligible for pension benefits are offered the opportunity of making contributions to a money purchase scheme recognised by the Fund.

The most recent actuarial assessment of the Scheme took place at 1 April 2010 at which point the Scheme had a funding level of 97% - see Note 27.

Following consideration of the proposed costs involved in meeting the disclosure requirements of Financial Reporting Standard 17 on Retirement Benefits, the directors have not felt able to justify the expenditure involved as charitable expenditure in furtherance of the company's aims and objectives and have decided not to comply with the Standard.

The next triennial actuarial report by the Scheme's actuaries is due in April 2013.

Plans for Future Periods

Plans for future periods are covered in full in the Poppyscotland Operational Plan for 2010-12. Objectives within, which warrant highlighting in this report are as follows:

Charitable Services

We are currently looking to complete our operational plan to take us to 2012 but several key themes have materialised over the previous period which are worthy of mentioning from an operational and strategic perspective:

- The number of grant recipients is falling but the costs of supporting them are increasing. This is due to the more complex and multiple needs of the individual beneficiary.

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

REPORT OF THE DIRECTORS (cont'd)

Plans for future periods cont'd

- Awareness of veteran charities and access to them may be a barrier for many in need of help, requiring greater co-ordinated advertising from all charities.
- Austerity measures will hit those on benefits with disabilities and vulnerabilities the hardest and the Third Sector needs to be ready to pick up their support needs.
- With the likelihood of reduced fundraising incomes, charities will have to find newer and smarter ways of working together to provide the required support.
- Finally, ways will need to be found to support those who are able to work, into work, so as to improve their mental, physical and financial well being, as well as reducing their long term dependence on charitable funds which need to be preserved for those who are less able/not able to support themselves (potentially the elderly veteran and their family). Making this assessment and decision will be very challenging for all.

Fundraising

- To investigate further joint working opportunities with The Royal British Legion.
- To further develop our fundraising with schools and support groups.
- To increase the income obtained from The Scottish Poppy Appeal.
- To engage with an increased number of companies.

Marketing

- Continue to refine our case for support and brand strategy.
- Grow our presence on and use of social media platforms, putting in place analysis to monitor the effectiveness of this activity.
- Grow the product range, profile and ultimately sales of the Poppyscotland retail range.
- Develop our media partnership to increase awareness of the charity's year round work.

Properties

- To complete a dilapidations survey of the New Haig site, including The Lady Haig Poppy Factory.
- To draw up a planned maintenance programme for the New Haig site.
- To secure alternative office accommodation in Glasgow.

It is important to stress that these objectives will be subject to a major analysis of needs and policy to be conducted in the aftermath of our joining with The Royal British Legion.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the incoming resources and application of resources, including net income and expenditure, of the charitable company 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

REPORT OF THE DIRECTORS (cont'd)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:-

- as far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Auditor

A resolution to appoint a statutory auditor will be considered at an Annual General Meeting.

BY ORDER OF THE BOARD

**MRS D M BARCLAY
Company Secretary**

June 2011

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE EARL HAIG FUND SCOTLAND**

We have audited the financial statements of The Earl Haig Fund Scotland for the year ended 31 March 2011 which comprise the Group and Parent charitable company Statements of Financial Activities, the Group and Parent charitable company Balance Sheets, the group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the Group and Parent charitable company, as a body, in accordance with sections 495 and 496 of the Companies Act 2006, and to the charities 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 Group and Parent charitable company members and the charities 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 charities, their members as a body and their trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 16 to 17, 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.

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.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Qualified opinion arising from non compliance with Financial Reporting Standard 17 – Retirement Benefits

The directors decided not to comply with the disclosure requirements of FRS 17 Retirement Benefits, as disclosed in note 27, as they are unable to justify the actuary's costs as charitable expenditure in furtherance of the Parent charity's aims. As a consequence, the financial statements do not provide the information required regarding recognising the pension scheme liability in the balance sheet. We are unable to quantify this non-compliance as the actuarial valuation has not been obtained.

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE EARL HAIG FUND SCOTLAND (cont'd)**

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the Group's and Parent charitable company's affairs as at 31 March 2011 and of the Group's and Parent charitable company's incoming resources and application of resources, including the Group's and the Parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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

Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)

For and on behalf of

CHIENE + TAIT

Chartered Accountants & Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

.....2011

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

Consolidated Statement of Financial Activities
(Incorporating an Income and Expenditure Account)
For the year ended 31 March 2011

	Notes	2011 Unrestricted Funds £	2011 Restricted Funds £	2011 Welfare Funds £	2011 Total Funds £	2010 Total Funds £
Incoming Resources						
<i>Incoming resources from generated funds</i>						
- Voluntary income	2(b)	2,855,234	10,000	11,925	2,877,159	2,490,680
- Activities for generating funds		416,903	-	-	416,903	130,110
- Investment income	3	343,334	-	-	343,334	291,015
<i>Incoming resources from charitable activities</i>						
- Merchandising income	4	211,175	-	-	211,175	185,133
- Employment services grant	5(b)	-	123,574	375	123,949	107,537
- Other grants	5	-	208,852	-	208,852	55,358
- Rental and service income	6	52,514	-	-	52,514	60,572
<i>Other incoming resources</i>						
- Net gain on disposal of fixed assets		130	-	-	130	382
Total incoming resources		3,879,290	342,426	12,300	4,234,016	3,320,787
Resources expended						
<i>Cost of generating funds</i>						
Costs of generating voluntary income	7	1,089,615	10,000	-	1,099,615	972,485
Investment management costs		-	-	-	-	11,787
		1,089,615	10,000	-	1,099,615	984,272
<i>Charitable activities</i>						
Continuing activities -						
- Costs of activities in furtherance of the charity's objectives						
- Manufacturing costs	8	629,124	116,560	-	745,684	675,926
- Grants paid	9(b)	1,527,136	230,833	16,399	1,774,368	1,820,880
- Benevolence support costs	10	325,061	-	-	325,061	366,695
- Research programmes		-	-	-	-	23,488
		2,481,321	347,393	16,399	2,845,113	2,886,989
Governance costs	11	89,756	-	-	89,756	88,759
Other resources expended	14	58,293	-	-	58,293	-
Total resources expended		3,718,985	357,393	16,399	4,092,777	3,960,020
Net incoming/(outgoing) resources before investment gains		160,305	(14,967)	,(4,099)	141,239	(639,233)
Gains on investments	23					
Realised		15,135	-	-	15,135	1,823,004
Unrealised		444,913	-	-	444,913	368,310
Net movement in funds		620,353	(14,967)	(4,099)	601,287	1,552,081
Total funds at 1 April 2010	23	10,907,154	21,740	39,663	10,968,557	9,416,476
Total funds at 31 March 2011	23	11,527,507	6,773	35,564	11,569,844	10,968,557

All gains and losses recognised in the year are included above. The surplus for the year for Companies Act purposes comprises the net outgoing resources for the year and realised gains on investments and amounted to a surplus of £156,374 (2010: £1,183,771).

The notes on pages 24 to 36 form part of the financial statements

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

Company Statement of Financial Activities (incorporating an Income and Expenditure Account)
For the year ended 31 March 2011

	Notes	2011 Unrestricted Funds £	2011 Restricted Funds £	2011 Total Funds £	2010 Total Funds £
Incoming Resources					
<i>Incoming resources from generated funds</i>					
- Voluntary income	2(a)	2,850,234	10,000	2,860,234	2,455,882
- Activities for generating funds		416,903	-	416,903	130,110
- Investment income	3	343,157	-	343,157	290,953
<i>Incoming resources from charitable activities</i>					
- Voluntary income	5(a)	-	208,852	208,852	54,358
- Rental and service income	6	52,514	-	52,514	60,572
<i>Other incoming resources</i>					
- Net gain on disposal of fixed assets		32	-	32	-
Total incoming resources		3,662,840	218,852	3,881,692	2,991,875
Resources expended					
<i>Cost of generating funds</i>					
Cost of generating voluntary income	7	1,575,279	10,000	1,585,279	1,401,911
Investment management costs		-	-	-	11,787
		1,575,279	10,000	1,585,279	1,413,698
<i>Charitable activities</i>					
Costs of activities in furtherance of the charity's objectives					
Continuing activities					
- Grants paid	9(a)	1,533,300	224,669	1,757,969	1,803,634
- Benevolence support costs	10	325,061	-	325,061	366,695
Research programmes		-	-	-	23,488
		1,858,361	224,669	2,083,030	2,193,817
<i>Governance costs</i>	11	83,255	-	83,255	82,786
<i>Other resources expended</i>	14	58,293	-	58,293	-
Total resources expended		3,575,188	234,669	3,809,857	3,690,301
Net incoming/(outgoing) resources before Investment gains		87,652	(15,817)	71,835	(698,426)
Gains on investments	23				
Realised		15,135	-	15,135	1,823,004
Unrealised		444,913	-	444,913	368,310
Net movement in funds		547,700	(15,817)	531,883	1,492,888
Total funds at 1 April 2010	23	10,543,753	20,817	10,564,570	9,071,682
Total funds at 31 March 2011	23	11,091,453	5,000	11,096,453	10,564,570

The above results include both continuing and discontinued operations. All gains and losses recognised in the year are included above. The surplus for the year for Companies Act purposes comprises the net incoming resources and realised gains on investments and amounted to £86,970 (2010: £1,124,578).

The notes on pages 24 to 36 form part of the financial statements

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

**Consolidated and Company Balance Sheets
As at 31 March 2011**

	Notes	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Fixed Assets					
Tangible assets	17	273,829	282,615	267,422	276,426
Investment in subsidiary	18	-	-	1,000	1,000
Investments	19	9,215,282	9,519,045	9,215,282	9,519,045
		<u>9,489,111</u>	<u>9,801,660</u>	<u>9,483,704</u>	<u>9,796,471</u>
Current Assets					
Stock	20	334,488	345,938	253,891	262,725
Debtors	21	410,379	215,850	377,029	194,541
Cash at bank		1,719,414	1,071,144	1,622,378	991,360
		<u>2,464,281</u>	<u>1,632,932</u>	<u>2,253,298</u>	<u>1,448,626</u>
Creditors: amounts falling due within one year	22	<u>383,548</u>	<u>466,035</u>	<u>640,549</u>	<u>680,527</u>
Net current assets		<u>2,080,733</u>	<u>1,166,897</u>	<u>1,612,749</u>	<u>768,099</u>
Net assets		<u>11,569,844</u>	<u>10,968,557</u>	<u>11,096,453</u>	<u>10,564,570</u>
Funds					
	23				
<u>Restricted funds</u>		42,337	61,403	5,000	20,817
<u>Unrestricted Funds</u>					
Designated funds		244,771	250,000	219,800	250,000
Capital fund		1,648	2,500	-	-
General funds		11,281,088	10,654,654	10,871,653	10,293,753
Total funds		<u>11,569,844</u>	<u>10,968,557</u>	<u>11,096,453</u>	<u>10,564,570</u>

The financial statements on pages 20 to 36 were approved by the Directors and signed on their behalf by:-

D A J Noble, Chairman

G O Sutherland, Director

Date

Registered Company No: SC194893

The notes on pages 24 to 36 form part of the financial statements

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

**CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2011**

	Notes	£	2011 £	£	2010 £
Cash flow from operating activities	25(a)		(451,487)		(868,672)
Returns on investments					
Income from listed investments		336,720		286,744	
Bank interest received		6,614		4,271	
		<hr/>		<hr/>	
Net cash inflow for returns on investments			343,334		291,015
Capital expenditure and financial investment					
Payments to acquire fixed assets		(12,539)		(4,434)	
Receipts from disposal of fixed assets		5,151		-	
Payments to acquire investments		(594,500)		(8,663,542)	
Receipts from disposal of investments		1,358,311		9,070,072	
		<hr/>		<hr/>	
Net cash inflow for capital expenditure and investments			756,423		402,096
Increase/ (Decrease) in cash	25(b)		<hr/> <hr/>		<hr/> <hr/>
			648,270		(175,561)

The notes on pages 24 to 36 form part of the financial statements

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2011**

1. Accounting Policies

a) Basis of Preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of investments and in accordance with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and applicable accounting standards. In addition, the company has adopted the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the company and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

b) Company Status

The company is a company limited by guarantee. The members of the company are the directors named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

c) Fund Accounting

General funds are unrestricted funds, which are available for use at the discretion of the directors in furtherance of the general objectives of the company, and have not been designated for other purposes.

Designated funds comprise unrestricted funds, which have been set aside by the directors for particular purposes. The aim and use of each designated fund is set out in notes to the financial statements.

Restricted funds comprise amounts donated for specific purposes. The aim and use of each restricted fund is set out in the notes to the financial statements.

d) Legacies

Legacies are credited to the Statement of Financial Activities as soon as the conditions for receipt have been met and there is reasonable assurance and accuracy in respect of the amounts receivable.

e) Income from Investments

Dividends and interest are credited to the SOFA in the period in which they are receivable except for interest on short term deposits, which is dealt with on an accrual basis.

f) Grants

Grants are recognised when a legal or constructive commitment has been made to a third party. Grants to annual benevolence cases are recognised when paid on the basis that changes in the circumstances of individual recipients make it impossible to determine the eventual level of payments.

g) Other resources expended

Other resources expended relates to items of expenditure which do not fall within the normal activities undertaken by the company and are not considered appropriate to analyse within the principal categories of expended resources.

h) Cost Allocation

General support and overhead costs have been allocated across the core functions on the basis of staff numbers within the respective functions.

i) Tangible Fixed Assets and Depreciation

Tangible fixed assets acquired at a cost in excess of £1,000 are capitalised. Depreciation is provided on such tangible assets at rates calculated to write off the cost on a straight line basis over their expected useful economic lives as follows:-

Land	-	Nil
Buildings	-	Over 50 years
Machinery	-	1 – 20 years
Motor vehicles	-	Over 4 – 10 years
Information technology and other equipment	-	1 – 3 years

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2011

1. Accounting Policies (Contd.)

j) Investments

Investments are stated at market value. Gains or losses arising on the revaluation and realisation of investments are recorded through the Statement of Financial Activities in the year in which the investments are realised.

k) Stock

Stock is valued at the lower of cost and net realisable value. Cost includes direct costs of labour and materials plus allocation of general overheads.

l) OA Scotland

OA Scotland is eligible to receive a grant payable from the proceeds of Poppyscotland. This grant is discretionary and linked to the level of benevolence provided by OA Scotland during the financial period.

m) Capital Grants

Capital grants are credited to a capital fund and are released through the Statement of Financial Activities over the useful life of the asset to which they relate.

n) Pension Costs

The Earl Haig Fund Scotland operates defined benefit and money purchase pension schemes on behalf of eligible employees. The cost of pensions is charged to expenditure in the year in which it is incurred.

o) Finance Lease Agreement

Assets held under finance leases and the related lease obligations are included at their fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

2. Voluntary Income

	2011	2010
	£	£
a) The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
Poppy Collection	2,351,922	2,239,078
Donations	210,054	129,900
Legacies	288,258	86,904
	<u>2,850,234</u>	<u>2,455,882</u>
<u>Restricted</u>		
Grant	10,000	-
Company	2,860,234	2,455,882
b) The Lady Haig Poppy Factory		
<u>Unrestricted</u>		
Legacies	5,000	19,971
<u>Restricted</u>		
Donations	11,925	14,827
Group	2,877,159	2,490,680

The total number of poppies distributed on behalf of the Scottish Poppy Appeal was 4,456,080 (2010: 4,630,800).

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011

3. Investment Income	2011	2010
	£	£
The Earl Haig Fund Scotland		
Unrestricted		
Income from listed investments	322,775	286,744
Income from deposit interest	6,437	4,209
Investment management fee rebate	13,945	-
Company	<u>343,157</u>	<u>290,953</u>
The Lady Haig Poppy Factory	177	62
Group	<u><u>343,334</u></u>	<u><u>291,015</u></u>
4. Merchandising Income	2011	2010
	£	£
Group	<u><u>211,175</u></u>	<u><u>185,133</u></u>
Sales are stated net of VAT.		
5. Incoming resources for charitable activities	2011	2010
(a) The Earl Haig Fund Scotland	£	£
Restricted		
The Sandilands Memorial Trust	10,235	14,275
The Scottish Veterans Fund	-	15,750
The Mac and Rosie McGearey Initiative	8,617	24,333
The Army Benevolent Fund	15,000	-
The RAF Benevolent Fund	100,000	-
The Robertson Trust	35,000	-
SSAFA Scottish Resources Committee	10,000	-
Elizabeth Finn Care	10,000	-
The Maritime Charities Funding Group	20,000	-
Company	<u>208,852</u>	<u>54,358</u>
(b) The Lady Haig Poppy Factory		
Restricted		
Jobcentre Plus	116,574	107,537
The Scottish Veterans Fund	7,000	1,000
Welfare	375	-
	<u>123,949</u>	<u>108,537</u>
Group	<u><u>332,801</u></u>	<u><u>162,895</u></u>
6. Rental Income	2011	2010
	£	£
Rental income	9,600	14,177
Notional rental income (see Note 9(iii))	30,690	30,690
Recharges to tenant charities for shared services	12,224	15,705
	<u>52,514</u>	<u>60,572</u>

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011

	2011	2010
7. Costs of generating voluntary income	£	£
The Earl Haig Fund Scotland		
Salaries, national insurance and pension costs	504,904	521,793
Other supporting costs	594,711	450,692
Purchase of poppies	485,664	429,426
	<hr/>	<hr/>
Company	1,585,279	1,401,911
Deduct purchase of poppies from Lady Haig Poppy Factory	(485,664)	(429,426)
	<hr/>	<hr/>
Group	1,099,615	972,485
	<hr/> <hr/>	<hr/> <hr/>
	2011	2010
	£	£
8. Manufacturing costs		
Salaries, national insurance and pension costs	603,886	567,792
Materials consumed	77,407	84,523
Increase in finished goods	(2,899)	(46,928)
Operating expenses	67,290	70,539
	<hr/>	<hr/>
	745,684	675,926
	<hr/> <hr/>	<hr/> <hr/>
Analysed as follows:-		
Unrestricted activities	629,124	568,312
Restricted activities	116,560	107,614
	<hr/>	<hr/>
	745,684	675,926
	<hr/> <hr/>	<hr/> <hr/>
9. Benevolence Grants	2011	2010
	No.	No.
a) Company		
(i) Individuals		
Annual review cases		
At 1 April 2010	207	207
Additions	35	44
Withdrawals	(40)	(44)
	<hr/>	<hr/>
At 31 March 2011	202	207
	<hr/> <hr/>	<hr/> <hr/>
Individual cases	1,100	1,132
	<hr/> <hr/>	<hr/> <hr/>
Annual Pension Grants to ex-Factory employees	18	18
	<hr/> <hr/>	<hr/> <hr/>
Unrestricted	£	£
Individual cases	498,815	503,496
Annual review cases	266,579	276,037
Annual Pension Grant to ex-Factory employees	8,909	8,880
	<hr/>	<hr/>
	774,303	788,413
Restricted		
The Mac and Rosie McGearey Initiative	24,434	3,517
	<hr/>	<hr/>
At 31 March 2011	798,737	791,930
	<hr/> <hr/>	<hr/> <hr/>

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011

9. Benevolence Grants (cont'd)	2011	2010
	£	£
(ii) Grants to other organisations		
The Royal British Legion Scotland	58,917	55,102
OA Scotland	66,850	87,457
Veterans Scotland	31,201	36,319
Erskine	-	60,000
Scottish Veterans Garden City Association (Inc)	337,250	663,712
Ex-Services Mental Welfare Society – Scottish Activities	50,000	-
The 'Not Forgotten' Association	5,000	-
First Base	-	2,500
National Gulf Veterans	3,000	4,000
SSAFA Forces Help	9,266	4,162
Gardening Leave	-	1,918
The Mark Wright Project	15,000	-
Horseback UK	40,000	-
The Regular Forces Employment Agency	31,796	-
The Woodlands Trust	15,000	-
Citizens Advice Scotland	29,094	-
The Scottish Society for Ex-Regular Forces Employment	2,500	-
Armed Forces Veterans Association	-	2,400
Citizens Advice Scotland (Restricted)	190,000	-
	<u>884,874</u>	<u>917,570</u>
(iii) Grants to other organisations		
Accommodation grants	<u>74,358</u>	<u>94,134</u>
Accommodation grants include notional rental income reported at Note 6.		
Total Company	<u>1,757,969</u>	<u>1,803,634</u>
Analysed as follows:-		
Unrestricted activities	1,543,535	1,803,634
Restricted activities	214,434	-
	<u>1,757,969</u>	<u>1,803,634</u>
The Lady Haig Poppy Factory		
Restricted		
Welfare expenditure	16,399	17,246
Total Group	<u>1,774,368</u>	<u>1,820,880</u>
b) Total Group		
Analysed as follows:		
Unrestricted activities	1,543,535	1,803,634
Restricted activities	230,833	17,246
	<u>1,774,368</u>	<u>1,820,880</u>

The Earl Haig Fund Scotland provides rent free accommodation to the following ex-Service charities located at New Haig House in Edinburgh and the Claremont Centre in Glasgow:-

- The Royal British Legion Scotland
- SSAFA Forces Help
- Douglas Haig Homes
- Veterans Scotland
- The Officers' Association Scotland
- The Scottish Veterans' Garden City Association (Inc)
- The Regular Forces Employment Agency

The assessed value of this benefit to the above charities is £99,016 (2010: £94,134) as stated above.

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011

10. Benevolence support costs		2011	2010
		£	£
Salaries, national insurance and pension costs		244,870	264,987
Other supporting costs		80,191	101,708
		<u>325,061</u>	<u>366,695</u>
11. Governance costs			
The Earl Haig Fund Scotland			
Salaries, national insurance and pension costs		45,177	52,098
Other supporting costs		29,589	22,293
Auditor's remuneration		8,489	8,395
		<u>83,255</u>	<u>82,786</u>
a) Company			
The Lady Haig Poppy Factory			
Salaries, national insurance and pension costs		780	750
Other supporting costs		2,001	1,623
Auditor's remuneration		3,720	3,600
		<u>6,501</u>	<u>5,973</u>
b) Group		<u>89,756</u>	<u>88,759</u>
12. Allocation of general support and overhead costs			
General support and overhead costs have been allocated across the core functions on the basis of staff numbers within core functions.			
	Staff	General	Staff
	Costs	Overheads	Costs
	2011	2011	2010
	£	£	£
Generating funds	118,413	81,394	123,544
Charitable activities	94,434	42,139	102,899
Support to other organisations	71,835	68,326	75,235
Governance	45,177	12,323	52,098
	<u>329,859</u>	<u>204,182</u>	<u>353,776</u>
13. Staff costs		2011	2010
		£	£
Manufacturing			
Wages and salaries		541,708	507,832
Social security costs		35,902	32,191
Other pension costs		24,559	25,173
		<u>602,169</u>	<u>565,196</u>
Administration			
Wages and salaries		735,146	743,185
Social security costs		64,751	67,577
Other pension costs		75,613	87,943
		<u>875,510</u>	<u>898,705</u>
Group		<u>1,477,679</u>	<u>1,463,901</u>

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011

13. Staff costs (cont'd)

Staff Numbers	No.	No.
The average monthly number of employees analysed by function was:-		
Manufacturing - full-time	35	37
Administration - full-time	29	27
- part-time	5	5
	<hr/>	<hr/>
	69	69
	<hr/>	<hr/>
- full-time	64	64
- part-time	5	5
	<hr/>	<hr/>
Group	69	69
	<hr/> <hr/>	<hr/> <hr/>

One member of staff received emoluments in excess of £60,000 during the year (2010: none).
No director was reimbursed for expenses from the company during the year (2010: Nil).

	2011	2010
	£	£
14. Other resources expended		
Costs incurred in pursuing merger talks with The Royal British Legion	18,097	-
Excess company funding contributions to the Final Salary Pension Scheme	30,200	-
Costs incurred in connection with the proposed purchase of office accommodation in Glasgow	9,996	-
	<hr/>	<hr/>
	58,293	-
	<hr/> <hr/>	<hr/> <hr/>

15. Results of the Parent Company

As permitted by section 408 of the Companies Act 2006, the Income and Expenditure Account of the Earl Haig Fund Scotland (the parent company) is not presented as part of these financial statements. The parent company's surplus for the financial year was £86,970 (2010: £1,124,578).

16. Taxation

The organisation has been granted charitable status for taxation purposes by the HM Revenue & Customs. It is considered that the organisation's activities were within the scope of the charitable status during the reporting period and accordingly no provision for taxation has been made.

17. Tangible Fixed Assets

a) Group	Heritable Property	Machinery	Motor Vehicles	Computer Equipment	Equipment	Total
	£	£	£	£	£	£
Cost						
At 1 April 2010	331,919	118,024	47,324	37,027	40,121	574,415
Additions	-	357	-	10,995	1,187	12,539
Disposals	-	(538)	-	(2,308)	(14,513)	(17,359)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	331,919	117,843	47,324	45,714	26,795	569,595
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation						
At 1 April 2010	67,181	115,276	47,324	30,662	31,357	291,800
Charge for period	6,107	644	-	6,692	2,861	16,304
Disposals	-	(538)	-	(2,308)	(9,492)	(12,338)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	73,288	115,382	47,324	35,046	24,726	295,766
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value						
At 31 March 2011	258,631	2,461	-	10,668	2,069	273,829
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value						
At 31 March 2010	264,738	2,748	-	6,365	8,764	282,615
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

Included in heritable property is an amount of £26,554 (2010: same) in respect of land which has not been depreciated.

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011

17. Tangible Fixed Assets (cont'd)

b) Charity

	Heritable £	Motor Vehicles £	Computer Equipment £	Equipment £	Total £
Cost					
At 1 April 2010	331,919	26,842	26,548	32,797	418,106
Additions	-	-	8,450	-	8,450
Disposals	-	-	-	(14,351)	(14,351)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	331,919	26,842	34,998	18,446	412,205
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation					
At 1 April 2010	67,181	26,842	21,925	25,732	141,680
Charge for period	6,107	-	4,282	2,043	12,432
Disposals	-	-	-	(9,329)	(9,329)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	73,288	26,842	26,207	18,446	144,783
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value					
At 31 March 2011	258,631	-	8,791	-	267,422
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value					
At 31 March 2010	264,738	-	4,623	7,065	276,426
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in heritable property is an amount of £26,554 (2010: same) in respect of land which has not been depreciated.

18. Investment in subsidiary	At 31 March 2011 £	At 31 March 2010 £
1,000 Ordinary Shares of £1 at cost	1,000	1,000
	<hr/> <hr/>	<hr/> <hr/>

The investment represents 100% of the share capital of The Lady Haig Poppy Factory Limited, a company registered in Scotland whose principal activity is the employment of disabled ex-service personnel to manufacture poppies and wreaths and to provide framing and printing services.

19. Investments	At 31 March 2011 £	At 31 March 2010 £
Listed securities		
Market value of listed securities at 1 April	9,513,213	7,728,429
Additions	594,500	8,663,542
Disposals	(1,343,176)	(7,247,068)
Unrealised gain during the period	444,913	368,310
	<hr/>	<hr/>
Market value of listed securities at 31 March	9,209,450	9,513,213
	<hr/>	<hr/>
Unlisted securities		
Market value of unlisted securities	5,832	5,832
	<hr/>	<hr/>
Market value of securities at 31 March	9,215,282	9,519,045
	<hr/> <hr/>	<hr/> <hr/>

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011

19. Investments (cont'd)

	At 31 March 2011 £	At 31 March 2010 £
Investment categories		
UK	9,209,105	9,327,950
Overseas	-	166,743
Cash	6,177	24,352
	<u>9,215,282</u>	<u>9,519,045</u>
Cost at 31 March: listed securities	8,438,927	9,317,512
unlisted securities	5,832	5,832
	<u>8,444,759</u>	<u>9,323,344</u>

The following investments comprise more than 5% of the value of the total portfolio:-

Cazenove Absolute Return Trust for Charities (Acc)	-	498,156
FRM Absolute Alpha £Stg Diversified	-	514,994
Sarasin International Equity Income – B Inc	471,374	-
Sarasin Alpha CIF for Endowments (Income units)	7,990,924	6,972,127

	Group 31 March 2011 £	Company 31 March 2011 £	Group 31 March 2010 £	Company 31 March 2010 £
20. Stock				
Finished goods	300,474	253,891	306,408	262,725
Work in progress	34,014	-	39,530	-
	<u>334,488</u>	<u>253,891</u>	<u>345,938</u>	<u>262,725</u>

Following a review of operating procedures the Boards of both Poppyscotland and the Lady Haig Poppy Factory have decided that all poppy stock manufactured by The Lady Haig Poppy Factory will become the property of Poppyscotland as at 31 March 2010 and annually thereafter. The value of this stock amounts to £234,091 at 31 March 2011 (2010: £236,797).

21. Debtors

OA Scotland	73	73	-	-
The Royal British Legion Scotland	474	474	4,526	4,526
Other debtors and prepayments	409,832	376,482	211,324	190,015
	<u>410,379</u>	<u>377,029</u>	<u>215,850</u>	<u>194,541</u>

22. Creditors: Amounts falling due within one year

Bank overdraft	14,873	14,873	4,836	4,836
The Lady Haig Poppy Factory	-	285,270	-	236,797
The Royal British Legion Scotland	-	-	51,725	51,725
Scottish Veterans Garden City	35,573	35,573	113,713	113,713
Other creditors and accrued charges	249,243	229,775	295,761	273,456
	<u>299,689</u>	<u>565,491</u>	<u>466,035</u>	<u>680,527</u>
Unrestricted	299,689	565,491	466,035	680,527
Restricted	83,859	75,058	-	-
	<u>383,548</u>	<u>640,549</u>	<u>466,035</u>	<u>680,527</u>

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011**

	Group 31 March 2011 £	Company 31 March 2011 £	Group 31 March 2010 £	Company 31 March 2010 £
23. Funds				
a) Movement for the year				
Balance at 1 April 2010	10,968,557	10,564,570	9,416,476	9,071,682
Net outgoing resources before investment losses	141,239	71,835	(639,233)	(698,426)
Realised gains on investments	15,135	15,135	1,823,004	1,823,004
Unrealised gains on investments	444,913	444,913	368,310	368,310
Balance at 31 March 2011	11,569,844	11,096,453	10,968,557	10,564,570

	Balance at 1 April 2010 £	Income £	Expenditure £	Investment gains £	Transfer between Funds £	Balance at 31 March 2011 £
b) (i) Group Fund Analysis						
Designated Funds						
Final Salary Pension Scheme	250,000	-	(30,200)	-	-	219,800
LHPF Contingency Fund	-	5,000	-	-	19,971	24,971
Capital Fund	2,500	1,014	(1,866)	-	-	1,648
Restricted Funds						
Third Party Grants	21,740	342,426	(357,393)	-	-	6,773
Welfare Fund	39,663	12,300	(16,399)	-	-	35,564
General Fund	10,654,654	3,873,276	(3,686,919)	460,048	(19,971)	11,281,088
	10,968,557	4,234,016	(4,092,777)	460,048	-	11,569,844

	Balance at 1 April 2010 £	Income £	Expenditure £	Investment gains £	Balance at 31 March 2011 £
b) (ii) Company Fund Analysis					
Designated Funds					
Final Salary Pension Scheme	250,000	-	(30,200)	-	219,800
Restricted Funds	20,817	218,852	(234,669)	-	5,000
General Fund	10,293,753	3,662,840	(3,544,988)	460,048	10,871,653
	10,564,570	3,881,692	(3,809,857)	460,048	11,096,453

Designated Funds

Consist of the following sub-funds:-

Final Salary Pension Scheme

Monies designated in 2009 in anticipation of possible actuarial deficits identified from future triennial valuations; since the last triennial valuation in 2007 excess contributions amounting to £30,200 have been made by the company to the Scheme.

LHPF Contingency Fund

This fund is to be dispensed as the Board of The Lady Haig Poppy Factory deems appropriate.

The Capital Fund

Equates to grants received for the purchase of equipment and is reduced in line with the life expectancy of the said equipment.

Restricted Funds

Third Party Grants

Represents monies received by The Earl Haig Fund Scotland and The Lady Haig Poppy Factory to provide tailored support and training in order to find, secure and retain jobs for individuals with disabilities who face more complex barriers to finding and maintaining an appropriate life-style.

Welfare Fund

Operated by The Lady Haig Poppy Factory to subsidise catering and leisure facilities for the benefit of the Factory's disabled ex-service workforce.

General Fund

THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

Represents the funds of the charity for its general purpose and which are not designated for any specific purpose.

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011

24. Analysis of Net Assets	2011	2011	2011	2011
Group	Designated	Restricted	General	Total
Fund balances are represented by:-	Funds	Funds	Funds	Funds
Tangible fixed assets	£	£	£	£
Tangible fixed assets	-	-	273,829	273,829
Investments	-	-	9,215,282	9,215,282
Current assets	246,419	42,337	2,175,525	2,464,281
Current liabilities	-	-	(383,548)	(383,548)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets at 31 March 2011	246,419	42,337	11,281,088	11,569,844
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Company	Designated	Restricted	General	Total
Fund balances are represented by:-	Funds	Funds	Funds	Funds
Tangible fixed assets	£	£	£	£
Tangible fixed assets	-	-	267,422	267,422
Investments	-	-	9,216,282	9,216,282
Current assets	219,800	5,000	2,028,498	2,253,298
Current liabilities	-	-	(640,549)	(640,549)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets at 31 March 2011	219,800	5,000	10,871,653	11,096,453
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
25. Notes of the Cash Flow Statement			2011	2010
a) Reconciliation of changes in resources to net cash flow from operating activities			£	£
Net incoming/(outgoing) resources before investment gains			141,239	(639,233)
<u>Less:</u> Investment income			(343,334)	(291,015)
			<hr/>	<hr/>
			(202,095)	(930,248)
Gain on sale of Fixed Assets			(130)	-
Decrease/(Increase) in stocks			11,450	(40,723)
Increase in debtors			(194,529)	(58,753)
(Increase)/Decrease in creditors			(82,487)	142,119
Depreciation			16,304	18,933
			<hr/>	<hr/>
Net cash outflow from operating activities			(451,487)	(868,672)
			<hr/> <hr/>	<hr/> <hr/>
b) Analysis in changes in liquid assets				
		At		At
		31 March	Cash	1 April
		2011	flows	2010
		£	£	£
Cash at bank		1,719,414	798,270	921,144
Current asset investments		-	(150,000)	150,000
		<hr/>	<hr/>	<hr/>
		1,719,414	648,270	1,071,144
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011**

26. Subsidiary Company

The Earl Haig Fund Scotland owns all of the issued share capital of The Lady Haig Poppy Factory Limited, a Scottish registered charitable company SCO16682.

The principal activity of the subsidiary is the employment of disabled ex-service personnel to manufacture poppies and wreaths and to provide framing and printing services.

A summary of the results of the subsidiary is shown below:-

The Lady Haig Poppy Factory Limited	2011 £	2010 £
Total incoming resources	837,988	995,135
Total resources expended	768,585	(935,943)
	<u>69,403</u>	<u>59,192</u>
The aggregate of the assets, liabilities and funds of The Lady Haig Poppy Factory Limited was:-		
Assets	502,659	427,292
Liabilities	(28,269)	(22,305)
Net Assets	<u>474,390</u>	<u>404,987</u>

Restricted funds held within the Welfare Fund and amounting to £35,564 are included in total net assets.

27. Retirement Benefits

The Earl Haig Fund Scotland operated a defined benefit pension scheme, which all permanent employees were eligible to join until the scheme was closed to new members in July 2002. The assets of the Scheme are held separately from those of the charity and are managed by independent Trustees.

The annual contribution paid into the Scheme is determined following discussion with the Scheme's actuaries and is intended to spread the cost of pensions over the anticipated service life of the employees participating in the Scheme. This contribution is currently based on 23.5% of gross pensionable salary and is expected to remain at this level for the foreseeable future.

The directors have considered the proposed costs involved in complying with the disclosure requirements of FRS 17 Retirement Benefits. The directors are unable to justify these costs as charitable expenditure in furtherance of the charity's aims.

The most recent actuarial assessment of the Scheme was at 1 April 2010 at which time the value of the Scheme's assets and liabilities was £3.743 million and £3.864 million respectively, resulting in a funding deficit of £121,000 and equivalent to a funding level of 97%

The principal assumptions used for the purpose of this valuation were:-

Inflation rate (retail Prices Index)	3.70% per annum
Investment return	6.50% per annum
Rate of future salary increases	3.70% per annum
Allowance for increase in pensions already in payment	
Qualifying period 5 th April 1997 to 5 th April 2005	3.70% per annum
Qualifying period post 5 th April 2005	2.50% per annum
Allowance for future service pension increase	3.70% per annum

**THE EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)**

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 31 March 2011**

28. Related Parties

A close relationship based on co-operation exists between The Earl Haig Fund Scotland, The Royal British Legion Scotland and The Officers' Association Scotland; a number of individuals from these organisations are directors of The Earl Haig Fund Scotland.

The Earl Haig Fund Scotland operates a cost sharing policy with the Royal British Legion Scotland in respect of certain centralised management and administrative functions. Notwithstanding this relationship, each organisation is considered to be organisationally and functionally independent and no one organisation exerts control or substantial influence over the others.

29. Contingent liability

The Board has committed £250,000 in support of an initiative by Scottish Veterans Residences to provide 31 residential units and 21 independent flats within the Greater Glasgow area. The initiative is intended to meet a range of needs relating to homelessness within the ex-service community.

The payment of the grant is contingent on the purchase of the necessary land and the completion of necessary planning permission and is to be drawn down in proportion to the receipt of any other monies received in support of the initiative.

30. Post balance sheet event

Subject to the agreement of the trustees of The Royal British Legion, a charity registered in England and Wales (Charity Number 219279), the directors and members of The Earl Haig Fund Scotland have agreed that the two charities should merge their activities with effect from 30 June 2011.