

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 30 September 2012

Contents	Page
Reference and Administrative Information	3-4
Chief Executive's Report	5-7
Trustees' Report	8-17
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	24-38

**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 welfare services.

Reference and Administrative Information

President

Lieutenant General Sir Alistair Irwin KCB CBE MA FCMI Finst CPD

Corporate Trustee

The Royal British Legion (appointed 30 June 2011)

Trustees

Major D A J Noble DL*† (resigned 30 June 2011)

Mr C Simpkins (appointed 30 June 2011)

Mr K Barclay (resigned 30 June 2011)

Mr I Bell FCIBS*† (resigned 30 June 2011)

Mr G Curran (resigned 30 June 2011)

Professor A M Davison RD MD (resigned 30 June 2011)

Lieutenant Commander I C Douglas RD BArch (Hons) FRIAS RIBA (resigned 30 June 2011)

Mr A C O Fergusson (resigned 30 June 2011)

Lieutenant Colonel C G O Hogg OBE DL (resigned 30 June 2011)

Colonel A Lapsley QVRM TD DL*† (resigned 30 June 2011)

Mr D Roy (resigned 30 June 2011)

Commodore C J Stait CBE (resigned 30 June 2011)

Mr G O Sutherland CA FCMI FRSA*† (resigned 30 June 2011)

Mr A S Watson* (resigned 30 June 2011)

* Member of the Finance & Investment Committee

† Member of the Audit Committee

Chief Executive

Mr I M McGregor MA Hons (Oxon)
Dip Mgmt

Company Secretary

Mrs D M Barclay BA Cert Mgmt

HR and Training Manager

Mrs D M Barclay BA Cert Mgt

Head of Finance

Mr A J Christie MA (Hons) CA

Head of Fundraising

Mr C Flinn

**Head of Marketing & Commercial
Services**

Mr F Bedwell

Head of Welfare Services

Mr G Gray (appointed 24 October 2011)

Mr P Hayllor (resigned 23 August 2010)

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 (resigned 18 August 2011)

PricewaterhouseCoopers LLP
PwC UK
7 More London Riverside
London
SE1 2RT (appointed 23 August 2011)

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

CHIEF EXECUTIVE'S REPORT

This report covers the 18 months since 31 March 2011, since when The Earl Haig Fund Scotland (Poppyscotland) has joined The Royal British Legion group of charities. At the time of the publication of the last Poppyscotland Annual Report in June 2011, the charity had only just taken this step. The period since has therefore, been taken up with a substantial amount of work in follow-up to this change, undertaken alongside more routine, but vital fundraising and welfare-delivery activity. One immediate consequence has been a change of our year end from 31 March to 30 September annually, to align with that of The Royal British Legion, hence the longer than usual, 18 month period covered by this report. Future reports will span 12 months as hitherto, though with this revised year end.

It is worth re-stating the background to the Board of Trustees of Poppyscotland taking this step in June 2011. Since 2006, Poppyscotland has undergone significant change and modernisation which has raised its public profile, expanded its fundraising capacity and greatly extended the range and scope of its charitable work. In reviewing in 2010 the substantial progress made, and looking for ways to still further improve the lot of the Armed Forces and veterans' community in Scotland, the Poppyscotland Board nonetheless concluded that while much had been accomplished, there remained limits to what Poppyscotland could achieve within its own resources. It was evident that despite the many improvements that had been made, Poppyscotland could not provide its beneficiaries with all the services available to their counterparts elsewhere in the United Kingdom. In addition, Poppyscotland's capacity to address this by raising further funds was similarly restricted by its resources. The Board concluded that this imbalance could only be addressed by joining with another entity with aims and activities close to Poppyscotland's and that the obvious organisation with whom to explore this was Poppyscotland's sister charity operating in the same sphere in England, Wales and Northern Ireland, The Royal British Legion, with whom we already worked very closely. After an initial approach, merger terms were agreed and completed within 9 months of talks being initiated, a measure of the strong, common purpose and understanding which the two organisations found and were able to build upon.

The aims of Poppyscotland joining The Royal British Legion Group were very specific. They were to effect a step change in the level and range of support available to our beneficiaries by bringing our welfare service provision up to the level of that available elsewhere in the United Kingdom through The Royal British Legion, and to enable Poppyscotland to more fully realise its fundraising potential. This will call for a substantial level of future investment in both these areas, to which The Royal British Legion Board of Trustees has wholeheartedly committed. The change has also placed Poppyscotland under a new governance structure, the Board of Trustees of The Royal British Legion becoming its corporate Trustee, with its Director General a Trustee in person. The pre-June 2011 Poppyscotland Board of Trustees dissolved to make way for this, but its members have largely re-formed to become members of the newly-established Poppyscotland Scottish Advisory Committee to the Board of Trustees of The Royal British Legion. This committee, one of whose members is also a trustee of The Royal British Legion, meets four times a year and advises on all matters of policy pertaining to Scotland and the activities of Poppyscotland. This arrangement has worked well to date and, as a commonly used model of charity management and governance, promises to do so far into the future.

Directly following the merger, Poppyscotland's executive management and staff began a twin-track programme of activity which has been the charity's focus throughout the reporting period. Our routine operations have continued apace and much excellent progress has been made in this, the salient and extraordinary feature of the year being an increase of 15% in income to the Scottish Poppy Appeal. The decision to retain the Scottish Poppy, Scottish Poppy Appeal and commit firmly to the continuing operation of The Lady Haig Poppy Factory has played well with the Scottish public, whose continuing empathy with and support for the Armed Forces and Services' veterans is both remarkable and humbling. Running in parallel with this has been a very involved and detailed programme of activity to identify the best ways

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

CHIEF EXECUTIVE'S REPORT (cont'd)

and means of vigorously and effectively pursuing the aims of the merger. This has entailed a detailed assessment of the needs of our beneficiary group, of gaps in current provision and of options for addressing these. This has culminated in the production of a 5-Year Operational Plan, to commence in October 2012, which has the moral and material endorsement of the Board of Trustees of The Royal British Legion. I hope and intend to be able to report on a successful and comprehensive implementation of its first year accordingly in 12 months time. The plan entails a significant expansion of our welfare operations and fundraising activity, and modest augmentation of our staff complement. It will make considerable demands on the industry and resourcefulness of our staff, but the commitment they have shown to date in pursuit of our merger aims bodes extremely well for the future. Both I and they look ahead to this challenge with considerable relish, confident in the knowledge that we have behind us the support of our parent charity, The Royal British Legion, and the guidance and encouragement of its trustees and the Scottish Advisory Committee.

Having alluded to our having enjoyed another year of fruitful and purposeful activity in parallel with these wider developments, it is appropriate for me to describe its more major elements. Despite the continuing pressures generated by world and domestic economic conditions and the inevitable impact these have had on jobs, incomes, families and individuals, Poppyscotland has again this year bucked wider Third Sector trends and recorded further growth in its income. The 15% increase in Poppy Appeal income was of course, of huge significance, since the Appeal continues to be our major source of revenue. Appeal income has grown by a third since the start of the banking crisis in 2008, an astonishing fact bearing in mind the scale and duration of the economic crisis since. Our firm aim is to continue to attract and, more importantly, to merit this level of support from the Scottish public and to work as hard as we can to put every penny we receive to optimal use in support of our beneficiaries. Our donors' generosity is never something we can take for granted. We are immensely grateful to all who lend us their support in so many ways and in such great numbers.

Our year-round fundraising outwith the Appeal has also continued apace. One new and notably successful development in 2011 has been our introduction of a Remembrance Cross campaign. In collaboration with our colleagues in The Royal British Legion Scotland, and with the help of volunteers from Scottish Widows, Lloyds Bank and The Royal Bank of Scotland, we set out a new Field of Remembrance adjacent to The Royal British Legion Scotland Garden of Remembrance in Princes Street Gardens, Edinburgh. Having beforehand mailed some 250,000 members of the Scottish public inviting them to place a small remembrance cross in the Field, we received and planted some 11,000 crosses there, including one for every serviceman and woman lost in the current conflict in Afghanistan. This initiative had for several years been successfully operated south of the border by The Royal British Legion; it attracted enormous media and public interest, highlighting sacrifices made, the need to both honour and remember the dead, and the importance of providing for the living injured and their dependants. It also generated £242,000 in income for the charity. Other initiatives such as our community fundraising and our retail merchandising also enjoyed continuing growth, very evidently striking a welcome chord with the public. Our Education programme also continued its development as we joined with the Glasgow City Council Education Department to run an inaugural Film competition for schools. Its ultimate winner was St Brigid's Primary School in Toryglen in Glasgow. The school's submission '*James Stokes – A Gorbals Hero*' was remarkable for its simplicity, charm and the imaginative and intelligent manner in which its primary-school film-makers addressed important, yet difficult questions about war, its consequences and Remembrance. It was one of a very strong field of entries which did great credit to the submitting pupils and their teachers.

Similar energy and innovation has been evident in our welfare activity. Once again our practice of progressing our own projects and more routine benevolence activity alongside collaborative work with other charities has continued to work well. Grants in cash and in kind

CHIEF EXECUTIVE'S REPORT (cont'd)

totalling over £1.09m have been made to 20 other charities providing specialist help to veterans, including Combat Stress, Gardening Leave, SSAFA Forces Help, William Simpson's Home, The National Gulf Veterans' and Families Association, Scottish Veterans' Residences and The Thistle Foundation. The largest single grant among these was one of £250,000 to Scottish Veterans' Residences for a major new housing project in Glasgow. We have continued our support to individual veterans and their dependants through individual grants-in-aid, by providing employment training grants and assistance, by continuing to be the Scottish facilitators of The Royal British Legion's *Be the Boss* Business Loan Scheme and by providing Occupational Therapist assessments and reconditioned mobility scooters for veterans in need of these. We have also continued to maximise the reach and effectiveness of our outlay on services by seeking to deliver these collaboratively. Our Armed Services Advice Project, an initiative run in collaboration with Citizens Advice Scotland, completed its second year of operations, having to date helped some 1,723 clients and brought them total financial gain of £1,060,587, an impressive return of £2.65 for every £1 it has cost to run. A funding partnership with the Army and RAF Benevolent Funds, The Maritime Funding Group, SSAFA Forces Help, Turn2Us and The Robertson Trust, this project has attracted enormous media and political interest, and approbation, for its impact in addressing the multiple and complex problems of Scotland's veterans and their dependants. A further new collaborative development has been the announcement, in the latter part of the reporting period, of the formation of a consortium between Poppyscotland, The Royal British Legion, The Royal British Legion Industries, The Officers' Association, The Officers' Association Scotland, The Regular Forces Employment Association and The Poppy Factory to deliver an enhanced and more coordinated, UK-wide employment service in support of service leavers and veterans and their dependants. Though this initiative is at an early stage of development, it has the potential and capacity to greatly help those in need of specialist support to find the right job in the right place and make a successful go of civilian life.

We have also maintained our role as a leader and facilitator within the veterans' charity sector. Poppyscotland continues to head the Support Pillar of the Veterans Scotland organisation. We are careful to seize the opportunities this presents to engage with government and speak with authority and purpose on veterans' issues in Scotland.

It is important in conclusion for me to express my appreciation of the contribution to Poppyscotland's work by our thousands of volunteers and supporters across the country. Prominent among our Area Organisers and volunteers continue to be the many branches and members of The Royal British Legion Scotland who account for no less than one third of our Appeal income. I must also express my most sincere thanks to our President, Lieutenant General Sir Alistair Irwin, to the outgoing Board and to the members of the Scottish Advisory Committee to the Trustees of The Royal British Legion. It has been their clarity of mind and willingness to embrace necessary change which has placed Poppyscotland at the threshold of a new and exciting era, in which we will have the means and impetus to do more and better for our beneficiaries. Among these members, Lieutenant Commander Iain Douglas and Mr Dallas Roy both stood down following the merger, choosing not to join the Scottish Advisory Committee, and I thank them for their support and commitment to the work of Poppyscotland. My thanks are also due to Commodore Carolyn Stait who continued to serve on the newly formed Scottish Advisory Committee until a move south prompted her resignation. I am grateful too to our staff, on whose goodwill, industry and imagination I am entirely reliant.

Finally I must pay especial tribute to the Chairman of the Board pre-merger and now of the Scottish Advisory Committee, Major David Noble. His vision, wise counsel, personal drive and strong leadership have placed us in this felicitous position. I am indebted to him for his support and guidance over the period.



Ian M McGregor
Chief Executive

March 2013

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

**March 2013
REPORT OF THE TRUSTEES'**

The Trustees submit their annual report and audited financial statements for the year ended 30 September 2012. This report covers an 18 month period due to the fact that The Earl Haig Fund Scotland changed its financial year end from 31 March to 30 September to bring it into line with its parent body, The Royal British Legion. This change to the financial year end was approved by the Office of the Scottish Charity Regulator (OSCR) in October 2011. All future reports will cover a financial year running from 1 October to 30 September. The reason for this change is explained under 'Structure, Governance & Management' below. The Trustees 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.

In May 2011 the Board of Trustees of The Earl Haig Fund Scotland convened an Extraordinary General Meeting of the members of The Earl Haig Fund Scotland to consider a special resolution to amend the Articles of Association so that The Royal British Legion be appointed as sole member of the Company. In a show of hands at the Extraordinary General Meeting 23 members voted in favour of the resolution, 2 members voted against and there were 2 abstentions. Seventy-four proxy votes had been received, all of which were in favour of the resolution.

Following approval by the members of The Earl Haig Fund Scotland, The Royal British Legion, at a General Meeting held on 23 June 2011, approved that The Royal British Legion become the sole member of The Earl Haig Fund Scotland. This decision followed and underwrote the resolution to amend the Articles of Association of The Earl Haig Fund Scotland which was passed in May 2011 and the amendment became unconditional. With effect from 30 June 2011 The Royal British Legion was appointed as corporate director of The Earl Haig Fund Scotland and Mr Christopher Simpkins, Director General, The Royal British Legion, was appointed the named Director of The Earl Haig Fund Scotland.

The Earl Haig Fund Scotland, of which Poppyscotland is the trading name, remains both an independent charity and company limited by guarantee which is a constituent member of The Royal British Legion group of companies.

Decision Making

In accordance with the newly amended Articles of Association, a Scottish Advisory Committee was formed. The purpose of the Scottish Advisory Committee is to develop recommendations to the Trustees for the Charity's policies in Scotland and to advise the Trustees as necessary on issues of relevance to Scottish veterans and beneficiaries. A Trustee of The Royal British Legion is also a member of the Scottish Advisory Committee.

Details of Related Parties

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

Risk management

During 2012 the major risks to which the company is exposed were reviewed 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 avoiding, minimising or mitigating these risks.

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

REPORT OF THE TRUSTEES' (cont'd)

The main objectives for the year were:

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

Welfare 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.

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

REPORT OF THE TRUSTEES' (cont'd)

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

Welfare Services

In accordance with the principal objectives of the company to relieve suffering, hardship and distress, benevolence assistance and support amounted to £4.35m.

£1.167m was spent directly on supporting more than 2,000 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 difficulties of varying types and complexity as well as assisting with respite breaks and vocational training. During 2011, a Government funded initiative, *Be the Boss*, was set up thus making Poppyscotland's small business loan scheme redundant. Poppyscotland administers *Be the Boss* for Scottish-based clients and since the scheme's inception, 25 loans have been awarded.

£1.2m was applied to support charitable activities undertaken by other ex-Service organisations fulfilling aims and objectives in harmony with those in our Constitution. Grants awarded included £20,000 to Combat Stress towards their West of Scotland outreach service, £250,000 to Scottish Veterans Residences for a new housing project in Glasgow, £4,700 to Music in Hospitals so that they could provide concerts for residents in veterans care homes, and a pledge of £150,000 was made to Scottish Veterans Garden City Association towards a new-build housing project in Inverness.

Following the merger in 2011 with The Royal British Legion and the subsequent production of the Poppyscotland Operational Plan for 2012 to 2017, the Charitable Services Department has been renamed the Welfare Services Department and two new posts have been established. A Deputy Head of Department was recruited in May 2012 and an Employment Services Coordinator post has been established and will be recruited to in late 2012.

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. We are indebted to the work and diligence of the volunteers from SSAFA Forces Help.

Our grant-making follows a rigorous process of needs assessment through volunteer caseworkers followed by grant allocation by independent scrutiny of statement of case. During the period under review, some 171 applications were refused on the grounds of either financial ability to resolve the issue or requests being in other respects inappropriate. This independent check confirms that charitable funds are spent carefully and for essential needs.

The Armed Services Advice Project (ASAP) continues to go from strength to strength both in terms of infrastructure and requests for assistance. The key statistics are covered in the Chief Executive's report and they record the high number of individuals engaging in the project, the excellent level of client financial gains and the value for investment which is being achieved. During the course of the year, the project also received a laudatory independent evaluation. A number of recommendations were contained within this evaluation and these will be addressed as part of the project's development. The lifetime of the project has been extended until 30 September 2013.

ASAP has also benefited from the introduction of an e-learning tool and a complementary resource guide. Both were produced in a way which makes them suitable as learning tools across the advice sector and they have been widely distributed and well received. Furthermore, a Citizens Advice Scotland Social Policy report was produced which was launched in conjunction with an extremely positive Members' Debate in the Scottish Parliament about the merits of ASAP.

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

REPORT OF THE TRUSTEES' (cont'd)

Welfare Services (cont'd)

Poppyscotland continues to lead the Veterans Scotland working group on supported employment (as well as The Lady Haig Poppy Factory being a supported employer). The group routinely shares best practice and has the following priorities for moving forward: developing a web-based resource containing detailed information on employment services available to veterans; maximising use of the ASAP e-learning tool; developing a consistent level of interaction with key contacts at JobCentrePlus throughout Scotland; and, developing publicity materials to assist with employer engagement in work placements.

Poppyscotland also continues to lead the Support pillar of Veterans Scotland and chairs working groups on Grants to Individuals, Grants to Organisations and, since 2011, the topic of Advice.

Work to undertake further Scotland-specific research was deferred for incorporation into the wider research programme of The Royal British Legion group of charities.

Poppyscotland continues to participate in the Scottish Prison Service Veterans In-reach working group. 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 they can access.

Fundraising

Proceeds from The Scottish Poppy Appeal achieved another record, raising £2.7 million, a 15% increase over the previous year. One notable additional area of success was a 30% increase in the number of corporate bodies supporting the appeal, taking the total to 108. Overall, £3.65 million was raised through the efforts of the fundraising team with a further £124,000 being added through the receipt of legacies.

We introduced a major new initiative using the experience of our parent organisation, The Royal British Legion: the Little Remembrance Cross mailing. Over eight weeks prior to Poppy Appeal, 250,000 households were mailed a small wooden remembrance cross and a message from the wife of a soldier killed in Afghanistan. This mailing raised £242,000 in gross income and 11,000 crosses were planted in the Field of Remembrance in Princes Street Gardens, Edinburgh.

We continued to develop and expand our individual-giving and donor-acquisition activities. The raffle generated £320,000 over the period and our database achieved a record 96,482 active supporters as at September 2012, an increase of 29% over the period. Amongst other developments was a regular giving campaign raising £48,709, 39% above target with the recruitment rate 45% above target. This is the second year this campaign saw above-target results, which continues to give confidence for long-term giving.

Our Education programme continued to break new ground with the introduction of a Film competition for schools in conjunction with Glasgow City Council Education Department. The theme was '90 years of the Poppy – then and now. 1921-2011' and pleasingly we received 47 entries for the competition. 4 final films were selected for a 'remake' with a film maker and the eventual winner was St Brigid's Primary School in Toryglen in Glasgow, with their submission '*James Stokes – A Gorbals Hero*'.

Our Community Fundraising function continued to develop, contributing £138,000 over the 18 month period. Our target of 15 Support Groups was achieved and we ran a number of successful events including Beating Retreat and Ayr Races.

Marketing

It has been another successful year in raising and developing the profile of Poppyscotland. In April 2011 we undertook a detailed review of our design provision and appointed Good

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

Creative to develop a new range of materials to work across a number of areas of activity. The new “*Unforgettable*” marketing platform was initially introduced for the 2011 Scottish

REPORT OF THE TRUSTEES’ (cont’d)

Marketing (cont’d)

Poppy Appeal, and was then extended across a new range of community fundraising materials and a redesigned newsletter. The theme is being developed further for the 2012 Appeal, and incorporated into new materials to promote our ever expanding range of welfare services. Social media is quickly becoming an area of strength for Poppyscotland. By the end of the 2011 Scottish Poppy Appeal we had attracted more than 40,000 followers on Facebook, making our Page the most followed of any Scottish charity on the social network. The level of interaction with these supporters has remained high outwith the Appeal period, one of the key objectives of our social media strategy. Our YouTube channel also continued to generate a lot of attention, with more than 30,000 downloads of our various videos over the past year.

Developing new and engaging content will be critical to continued social media success. This, combined with the ever-increasing demands placed on the marketing and PR department as our organisational output grows, has resulted in us creating a new position of PR & Marketing Assistant. This role replaced the vacant IT Manager role, our IT specialist services being contracted out, and so did not result in an increase in headcount. It has however, led to a much better allocation of resources.

The charity’s relationship with the national media continues to be very strong. Partnerships with Scottish Television, Bauer Radio network and The Scottish Sun newspaper mean that we have leveraged significant additional benefit and exposure from our advertising spend. In January we took the decision to end our external PR and media support contract and going forward we will manage this function internally. The appointment of the PR & Marketing Assistant will greatly assist with the additional workload this reorganisation will bring about. It will also expand the responsibilities and scope of the PR Manager’s role.

Market research was not undertaken pending a wider strategic review by The Royal British Legion.

Poppyscotland’s retail offering has also seen remarkable growth during the past 12 months. In only the second year of our joint venture with the Business Incentives Group (BIG), sales from Poppy-related products grew by 111% from 2010. This growth gave us the confidence to negotiate an extension to our licensing agreement with BIG, on improved financial terms, for a further three years. Developing mail order activity, “poppy-up” stores and wholesale opportunities are areas to be developed over the course of the new three-year arrangement.

Properties

A Strategic Asset Management Review and condition survey of the New Haig House site was completed in September 2011. Work to determine a long-term, comprehensive development solution for the site is being progressed as part of the Charity’s 5-year Operational Plan.

Ownership of alternative suitable premises in Glasgow has been achieved and a planned refurbishment programme is underway. Suitable premises in Inverness have been identified and will be occupied in the period ahead.

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 casework they do which enables us to make our benevolence awards.

Manufacturing

Manufacturing costs incurred for the 18 month period by the company’s subsidiary, The Lady Haig Poppy Factory Limited, amounted to £1,118,809 (2011: £745,684), and include the cost of poppies and wreaths made by our disabled workforce in preparation for the annual Scottish Poppy Appeal in November 2012.

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

REPORT OF THE TRUSTEES' (cont'd)

Group Financial Review

Incoming resources amounted to £5,122,125 (12 months to 31 March 2011: £4,234,016).

The company's income stream continues to be dominated by The Scottish Poppy Appeal held annually in November and which raised £2.889m (2011: £2.352m), equivalent to 56% of total incoming resources and in line proportionately with the previous 12 month financial period.

Donations and income raised from various fundraising activities amounted to £772,330, a 21% increase on the 12 month period to 31 March 2011, due in part to new collaborative initiatives such as the raffle with The Royal British Legion.

Legacies continued to be another important source of income and amounted to £124,279.

Investment income contributed a further £555,298 (12 months to 31 March 2011: £343,334). Achieving a satisfactory level of investment income is a vital supplement to voluntary giving and it is pleasing to be able to report that the Charity's Investment Fund Managers, Sarasin Partners, have been able to deliver increasing investment returns whilst safeguarding the capital value of the portfolio despite global economic volatility and uncertainty.

Resources expended amounted to £6,398,319 (12 months to 31 March 2011: £4,346,668) 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 over the 18 months period covered by this report amounted to £2.029m (12 months to 31 March 2011: £1.354m). Although significant, this increase in the level of expenditure is due not only to an extra six months of operating costs but also includes the cost of new initiatives such as the Small Remembrance Crosses, an increase in marketing spend to improve public awareness and the expensing of stock amounting to £253,891 to come into line with The Royal British Legion's accounting policies following the merger in June 2011.

The cost of activities in furtherance of the company's objectives amounted to £4.063m (£2.845m) and reflects the continuing level of resources required to support the needs of the ex-Service community in Scotland.

A further £136,158 was allocated to governance costs with a further one-off item amounting to £169,938 being incurred in relation to the merger with The Royal British Legion during the 18 months under review.

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

As a result of the increasing costs and levels of risk associated with this type of scheme, the Trustees 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.

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

REPORT OF THE TRUSTEES' (cont'd)

In reporting periods preceding this one, following consideration of the proposed costs involved in meeting the disclosure requirements of Financial Reporting Standard 17 on Retirement Benefits, the Trustees of The Earl Haig Fund Scotland did not feel able to justify the expenditure involved as charitable expenditure in furtherance of the company's aims and objectives and decided not to comply with the Standard. However, since merging with The Royal British Legion it has been agreed that the disclosure requirements of Financial Reporting Standard 17 will be adopted.

As a result, First Actuarial LLP was instructed to produce a report in accordance with the requirements of the Financial Reporting Standard 17 for the 18 month period to 30 September 2012. Based on the assumptions adopted by the actuary, this exercise established that the Final Salary Pension Scheme had liabilities of £5.334m and assets of £3.944m resulting in a deficit position of £1.39m as at 30 September 2012. This deficit has been recognised as at 30 September 2012 with a resulting decrease in company funds.

Operating Deficit

The operating deficit before exceptional items and investment losses amounted to £1.276m for the 18 month period to 30 September 2012. Whilst income generation from the fundraising team has reached record levels, the timing of cost recognition relating to new fundraising initiatives, changes in accounting policies to come into line with those of The Royal British Legion and increasing levels of support provided to our beneficiaries, both individual and organisational, has contributed to the reported deficit.

The recognition of the Final Salary Pension liability as reported by First Actuarial LLP of £1.390 million and the fall in value of the pension assets over the period amounting to £306,000 have resulted in a reduction in Group funds of £2.930m from £11.316m at 31 March 2011 to £8.386m at 30 September 2012.

Liquidity

Despite the reduction in Group funds of £2.930m over the period, £1.814m of this fall relates to movements in working capital resulting, in part, to changes in accounting policy resulting from the merger with The Royal British Legion in June 2011, and the recognition of movements in the value of balance sheet positions such as the fall in value of the investment portfolio and the recognition of the final salary pension liability. Consequently, actual cash outflow over the 18 month period amounted to £1.116m with the company ending the financial period with £603,415 in cash balances and in a strong financial position going into the November 2012 Poppy Appeal and embarking on a robustly founded 5-year Operational Plan targeting a further roll-out of services provided by the charity.

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 and following the merger with The Royal British Legion, Sarasin and Partners, as investment managers, continue to manage the portfolio within an agreed risk profile to be measured against a composite benchmark based on the strategic asset allocation model put in place on their appointment. The investment manager provides a written report on a quarterly basis.

During the 18-month period under review the value of the portfolio has fallen from £9.215m at 31 March 2011 to £8.93m at 30 September 2012. Although a marginal reduction over the period, this inherent stability masks the volatility of global stock markets over a 18 month reporting period during which, taking the FTSE All Share index as a point of reference, the index fluctuated within a 20% range. Nevertheless, despite this volatility, the portfolio has continued to generate income in line with levels agreed with the portfolio manager providing an investment return of £536,588 over the 18 month period and £357,651 over the 12 month period to 30 September 2012 (£336,720: 12 months to 31 March 2011).

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

REPORT OF THE TRUSTEES' (cont'd)

The global economic outlook remains highly uncertain but the portfolio investment managers have 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 their appointment in 2010.

Reserves policy

The Trustees 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 Trustees consider that the asset base of the organisation, incorporating its investment portfolio, should be regarded as a resource to provide a level of contingency funding with the primary functions of

- a. maintaining sufficient funds to meet two years' expenditure in the event of a major and unexpected reduction in income in two consecutive years

and

- b. Providing the necessary capital base for the charity to
 - i. generate investment income to meet a proportion of its annual running costs;

and

 - ii. to develop, if required, its operations and facilities in response to the evolving needs of its client base.

Plans for Future Periods

Plans for future periods are covered in full in the Poppyscotland Operational Plan for 2012-17. Objectives which warrant highlighting in this report are as follows:

Welfare Services

Our strategic priorities for 2012/13 are:

- a. To identify, build and operate a break centre with a notional target date for opening of 2014.
- b. To develop a Home Improvement Service. The aim is to enhance the quality of life of our beneficiaries by providing a trusted and high-quality home maintenance and improvement service allowing them to live independently in safety, security and with dignity in their own homes.
- c. To enhance the Armed Services Advice Project and in collaboration with Citizens' Advice Scotland (CAS) extend it to other parts of Scotland.
- d. To introduce collaborative employability initiatives in the areas of Mental Health (with the Scottish Association for Mental Health); supporting veterans with a criminal record into employment (with APEX Scotland); and providing Vocational Assessments (through The Royal British Legion Industries LifeWorks programme).
- e. To develop an office in Inverness with the aim of creating an information hub which is accessible to both potential beneficiaries and volunteers.
- f. To work with colleagues in the Operations Department of The Royal British Legion to ensure that the services available North of the Border mirror those in the South.

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

REPORT OF THE TRUSTEES' (cont'd)

In addition, we will continue with our prior objectives of:

- g. continuing to support individuals in financial need.
- h. continuing to support organisations who deliver services in support of our client group.
- i. progressing the national advice project with Citizens Advice Scotland.
- j. leading the Veterans Scotland Support Pillar.
- k. progressing our supported employment aims in conjunction with Veterans Scotland.

Fundraising

Our strategic priorities for 2012/13 are:

- a. To continue to seek joint working opportunities with The Royal British Legion.
- b. To develop an Events portfolio and recruit an Events Fundraiser.
- c. To increase the income obtained from The Scottish Poppy Appeal.
- d. To enhance our fundraising in the North of Scotland through the recruitment of a Community fundraiser (North) who will operate from our planned Inverness office.

Marketing

Our strategic priorities for 2012/13 are:

- a. To continue to refine our case for support and brand strategy.
- b. To develop further our social networks and increase digital engagement out with the Poppy Appeal period.
- c. To roll out the "Unforgettable" theme across a new range of welfare services materials.
- d. To expand our retail offering with particular focus on mail order, "poppy-up" stores and wholesale.
- e. To cultivate relationships with key media to ensure our coverage is maintained now our PR function is managed exclusively in-house

Properties

Our strategic priorities for 2012/13 are:

- a. To progress the development of a long-term, comprehensive development solution for the New Haig House site, including The Lady Haig Poppy Factory.
- b. To complete the refurbishment of the newly-acquired Glasgow premises.
- c. To complete the fitting-out of the Inverness property.

Statement of Trustees' responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting

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

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

REPORT OF THE TRUSTEES' (cont'd)

Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and 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 Trustees 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 Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm that:-

- as far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- each Trustee has taken all the steps he/she ought to have taken as a trustee 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.

BY ORDER OF THE BOARD



**MRS D M BARCLAY
Company Secretary**

March 2013

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF THE
EARL HAIG FUND (SCOTLAND)**

We have audited the financial statements of The Earl Haig Fund (Scotland) for the 18 months ended 30 September 2012 which comprise the Group and Parent Charitable Company Statements of Financial Activities, the Group and Parent Charitable Company Summary Income and Expenditure Accounts, the Group and Parent Charitable Company Balance Sheets, the Group and Parent Charitable Company Cash Flow Statements, the Accounting Policies 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).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, 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.

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.

This report, including the opinions, has been prepared for and only for the Charity's members and trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and regulations made under those Acts (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act 2006) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 the 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 annual 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.

Basis for Qualified Opinion

In 2011/12, the directors have adopted FRS 17 Retirement Benefits for the first time. However, this first time adoption has not been accounted for in accordance with FRS 17 and FRS 3 Reporting Financial Performance as no restatement of prior period comparatives has been made. We are unable to quantify this non-compliance as the actuarial valuation has not been obtained.

Qualified Opinion

In our opinion, except for the effects of 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 the parent charitable company's affairs as at 30 September 2012 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent charitable company's income and expenditure and cash flows, for the 18 months then ended;

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF THE
EARL HAIG FUND (SCOTLAND) (cont'd)**

- 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 regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial period 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) require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company 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 or 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.

Lindsey Paterson

Lindsey Paterson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

17 April 2013

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

- a) The maintenance and integrity of the Earl Haig Fund (Scotland) website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Consolidated Statement of Financial Activities
For the 18 months ended 30 September 2012 (12 months to 31 March 2011)

Restated

	Notes	2012 Unrestricted Funds £	2012 Restricted Funds £	2012 Welfare Funds £	2012 Total Funds £	2011 Total Funds £
Incoming Resources						
<i>Incoming resources from generated funds</i>						
- Voluntary income	2(b)	3,165,332	32,000	15,003	3,212,335	2,877,159
- Activities for generating funds		573,660	-	-	573,660	416,903
- Investment income	3	555,258	40	-	555,298	343,334
<i>Incoming resources from charitable activities</i>						
- Merchandising income	4	317,634	-	-	317,634	211,175
- Employment services grant	5(b)	-	162,835	5,853	168,688	123,949
- Other grants	5	-	262,704	-	262,704	208,852
- Rental and service income	6	31,013	-	-	31,013	52,514
<i>Other incoming resources</i>						
- Net gain on disposal of fixed assets		519	-	-	519	-
		274	-	-	274	130
Total incoming resources		<u>4,643,690</u>	<u>457,579</u>	<u>20,856</u>	<u>5,122,125</u>	<u>4,234,016</u>
Resources expended						
<i>Cost of generating funds</i>						
Costs of generating voluntary income ⁷		1,997,054	32,000	-	2,029,054	1,353,506
		<u>1,997,054</u>	<u>32,000</u>	<u>-</u>	<u>2,029,054</u>	<u>1,353,506</u>
<i>Charitable activities</i>						
Continuing activities -						
- Costs of activities in furtherance of the charity's objectives						
- Manufacturing costs	8	955,974	162,835	-	1,118,809	745,684
- Grants paid	9(b)	2,143,938	225,000	32,193	2,401,131	1,774,368
- Benevolence support costs	10	537,359	5,870	-	543,229	325,061
		<u>3,637,271</u>	<u>393,705</u>	<u>32,193</u>	<u>4,063,169</u>	<u>2,845,113</u>
Governance costs	11	136,158	-	-	136,158	89,756
Other resources expended	14	169,938	-	-	169,938	58,293
Total resources expended		<u>5,940,421</u>	<u>425,705</u>	<u>32,193</u>	<u>6,398,319</u>	<u>4,346,668</u>
Net (outgoing)/incoming resources before investment gains/(losses) and exceptional items		<u>(1,296,731)</u>	<u>31,874</u>	<u>(11,337)</u>	<u>(1,276,194)</u>	<u>(112,652)</u>
(Losses)/gains on investments	23					
Realised		(79)	-	-	(79)	15,135
Unrealised		(305,853)	-	-	(305,853)	444,913
Actuarial loss on defined benefit pension scheme	27	(1,348,000)	-	-	(1,348,000)	-
Net movement in funds		<u>(2,950,663)</u>	<u>31,874</u>	<u>(11,337)</u>	<u>(2,930,126)</u>	<u>347,396</u>
Total funds at beginning of period	23	11,273,616	6,773	35,564	11,315,953	10,968,557
Total funds at end of period	23	<u>8,322,953</u>	<u>38,647</u>	<u>24,227</u>	<u>8,385,827</u>	<u>11,315,953</u>

All gains and losses recognised in the period are included above. The deficit for the 18 months to 30 September 2012 for Companies Act purposes comprises the net outgoing resources for the period, exceptional items and realised gains on investments and amounts to £1,276,273 (12 months to 31 March 2011: £97,517).

The cost of generating voluntary income in 2011 has been restated by £253,891 due to a change in accounting policies relating to stock.

The notes on pages 24 to 38 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 18 months ended 30 September 2012 (12 months to 31 March 2011)

	Notes	2012 Unrestricted Funds £	2012 Restricted Funds £	2012 Total Funds £	Restated 2011 Total Funds £
Incoming Resources					
<i>Incoming resources from generated funds</i>					
- Voluntary income	2(a)	3,165,332	32,000	3,197,332	2,860,234
- Activities for generating funds		573,660	-	573,660	416,903
- Investment income	3	555,163	40	555,203	343,157
<i>Incoming resources from charitable activities</i>					
- Voluntary income	5(a)	15,540	247,164	262,704	208,852
- Rental and service income	6	31,013	-	31,013	52,514
<i>Other incoming resources</i>					
- Net gain on disposal of fixed assets		-	-	-	32
Total incoming resources		4,340,708	279,204	4,619,912	3,881,692
Resources expended					
<i>Cost of generating funds</i>					
Cost of generating voluntary income	7	2,692,574	32,000	2,724,574	1,839,170
		2,692,574	32,000	2,724,574	1,839,170
<i>Charitable activities</i>					
Costs of activities in furtherance of the charity's objectives					
Continuing activities					
- Grants paid	9(a)	2,130,974	241,294	2,372,268	1,757,969
- Benevolence support costs	10	537,359	5,870	543,229	325,061
		2,668,333	247,164	2,915,497	2,083,030
<i>Governance costs</i>					
	11	133,774	-	133,774	83,255
<i>Other resources expended</i>					
	14	161,939	-	161,939	58,293
Total resources expended		5,656,620	279,164	5,935,784	4,063,748
Net (outgoing)/incoming resources before Investment gains/(losses) & exceptional items		(1,315,912)	40	(1,315,872)	(182,056)
Losses/(gains) on investments					
Realised	23	(79)	-	(79)	15,135
Unrealised		(305,853)	-	(305,853)	444,913
Actuarial loss on defined benefit pension scheme	27	(1,348,000)	-	(1,348,000)	-
Net movement in funds		(2,969,844)	40	(2,969,804)	277,992
Total funds at beginning of period	23	10,837,562	5,000	10,842,562	10,564,570
Total funds at end of period	23	7,867,718	5,040	7,872,758	10,842,562

All gains and losses recognised in the period are included above. The deficit for the 18 months to 30 September 2012 for Companies Act purposes comprises the net outgoing resources, exceptional items and realised gains on investments and amounts to £1,315,951 (12 months to 31 March 2011: £166,921).

The cost of generating voluntary income in 2011 has been restated by £253,891 due to a change in accounting policies relating to stock.

The notes on pages 24 to 38 form part of the financial statements

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

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

Consolidated and Company Balance Sheets
As at 30 September 2012 and 31 March 2011

		Restated		Restated	
	Notes	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Fixed Assets					
Tangible assets	17	107,006	273,829	107,006	267,422
Investment in subsidiary	18	-	-	1,000	1,000
Investments	19	8,930,043	9,215,282	8,930,043	9,215,282
		<u>9,037,049</u>	<u>9,489,111</u>	<u>9,038,049</u>	<u>9,483,704</u>
Current Assets					
Stock	20	274,524	80,597	-	-
Debtors	21	315,538	410,379	248,879	377,029
Cash at bank		603,415	1,719,414	545,395	1,622,378
		<u>1,193,477</u>	<u>2,210,390</u>	<u>794,274</u>	<u>1,999,407</u>
Creditors: amounts falling due within one year	22	454,699	383,548	569,565	640,549
Net current assets		<u>738,778</u>	<u>1,826,842</u>	<u>224,709</u>	<u>1,358,858</u>
Total assets less total liabilities		<u>9,775,827</u>	<u>11,315,953</u>	<u>9,262,758</u>	<u>10,842,562</u>
Defined benefit pension scheme liability		1,390,000	-	1,390,000	-
Net assets including pension liability		<u>8,385,827</u>	<u>11,315,953</u>	<u>7,872,758</u>	<u>10,842,562</u>
Funds	23				
Restricted funds		62,874	42,337	5,040	5,000
Unrestricted Funds					
Designated funds		-	244,771	-	219,800
Capital fund		-	1,648	-	-
General funds		6,932,953	11,027,197	6,477,718	10,617,762
		<u>6,932,953</u>	<u>11,273,616</u>	<u>6,477,718</u>	<u>10,842,562</u>
Unrestricted funds excluding pension liability		<u>6,932,953</u>	<u>11,273,616</u>	<u>6,477,718</u>	<u>10,842,562</u>
Pension reserve		1,390,000	-	1,390,000	-
Total funds		<u>8,385,827</u>	<u>11,315,953</u>	<u>7,872,758</u>	<u>10,842,562</u>

The 2011 comparatives have been restated by £253,891 to reflect a change in accounting policy relating to stock..

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


C Simpkins, Trustee

Date 20th March 2013

Registered Company No: SC194893

The notes on pages 24 to 38 form part of the financial statements

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

**CONSOLIDATED CASH FLOW STATEMENT
For the 18 months to 30 September 2012 (12 months to 31 March 2011)**

	Notes	£	2012 £	£	2011 £
Cash outflow from operating activities	25(a)		(1,650,604)		(451,488)
Returns on investments					
Income from listed investments		536,588		336,720	
Bank interest received		18,710		6,614	
		<hr/>		<hr/>	
Net cash inflow for returns on investments			555,298		343,334
Capital expenditure and financial investment					
Payments to acquire fixed assets		-		(12,539)	
Receipts from disposal of fixed assets		-		5,152	
Payments to acquire investments		(210,201)		(594,500)	
Receipts from disposal of investments		189,508		1,358,311	
		<hr/>		<hr/>	
Net cash (outflow)/inflow for capital expenditure and investments			(20,693)		756,424
			<hr/>		<hr/>
(Decrease)/Increase in cash	25(b)		(1,115,999)		648,270
			<hr/> <hr/>		<hr/> <hr/>

The notes on pages 24 to 38 form part of the financial statements

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
For the 18 months ended 30 September 2012 and 12 months 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.

They have been prepared on the going concern assumption and accruals concept and are intended to provide information that is relevant, reliable, comparable and understandable.

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) Group Financial Statements

The financial statements of group companies are consolidated on a line by line basis. Uniform accounting policies are adopted and intra-group transactions are eliminated on consolidation.

c) Company Status

The company is a company limited by guarantee. Until the merger with The Royal British Legion at 30 June 2011 the members of the company were the directors named on page 1. Since the merger The Royal British Legion, as the parent body and its General Secretary are the sole members. 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.

d) Fund Accounting

General funds are unrestricted funds, which are available for use at the discretion of the charity 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 for a specific purpose. 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.

e) 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.

f) 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.

g) 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.

h) 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.

i) Cost Allocation

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

j) Exceptional items

Items are classified as exceptional if, in the opinion of the senior management team of The Earl Haig Fund Scotland, they are of a non-operational nature and of a level that would impact materially and consequently distort the normal operational performance of the group of charities.

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011**

1. Accounting Policies (cont'd.)

k) Tangible Fixed Assets and Depreciation

Prior to the merger with The Royal British Legion at 30 June 2011 tangible fixed assets acquired at a cost in excess of £1,000 were capitalised. Since the merger, and to move into line with the fixed asset accounting policies of The Royal British Legion, only capital purchases equal to or greater than £50,000 are capitalized. Depreciation remains 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

l) 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 appropriate accounting period.

m) Stock

Stock held by The Earl Haig Fund Scotland Group is valued at the lower of cost and net realisable value. Cost includes direct costs of labour and materials plus allocation of general overheads. Following the merger with The Royal British Legion in June 2011 the accounting policy in relation to stock held by The Earl Haig Fund Scotland Group was brought into line with the accounting policy of The Royal British Legion. This change in policy resulted in all stock sold by the Lady Haig Poppy Factory to its parent The Earl Haig Fund Scotland being recorded as a cost of generating voluntary income at the point of purchase and expensed in the corresponding financial period. Consequently, stock recorded as held by the The Earl Haig Fund Scotland Group relates solely to stock held by its subsidiary, The Lady Haig Poppy Factory.

n) 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.

o) Pension Costs

The Earl Haig Fund Scotland operates defined benefit and money purchase pension schemes on behalf of eligible employees.

Pensions are accounted for in accordance with FRS17 Retirement Benefits, with a valuation undertaken by an independent actuary. The current service cost of the defined benefit scheme is charged to employee costs over the anticipated period of employment. Net pension finance income or costs are included immediately in other incoming resources or employee costs as appropriate. Actuarial gains and losses are recognised immediately on the face of the Statement of Financial Activities. The defined benefit pension scheme liabilities are shown on the face of the Balance Sheet and defined benefit pension scheme assets are shown insofar as FRS17 permits. In accordance with this, the surplus on The Earl Haig Fund Defined Pension Fund has not been recognised and a provision for the Stanplan F scheme deficit is shown on the face of the Balance Sheet. The amounts charged to the Statement of Financial Activities for defined contribution schemes represent the contributions payable in the period. Details of the pension schemes are included in note 27 to the accounts.

p) 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.

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011

	2012	2011
	£	£
The Royal British Legion	14,535	-
Company	<u>262,704</u>	<u>208,852</u>
(b) The Lady Haig Poppy Factory <u>Restricted</u> Jobcentre Plus	162,835	116,574
The Scottish Veterans Fund	-	7,000
Welfare	<u>5,853</u>	<u>375</u>
	168,688	123,949
Group	<u>431,392</u>	<u>332,801</u>
	2012	2011
	£	£
6. Rental Income		
Rental income	15,800	9,600
Notional rental income (see Note 9(iii))	-	30,690
Recharges to tenant charities for shared services	<u>15,213</u>	<u>12,224</u>
	<u>31,013</u>	<u>52,514</u>
	2012	2011
	£	£
7. Costs of generating voluntary income		Restated
The Earl Haig Fund Scotland		
Salaries, national insurance and pension costs	791,482	504,904
Other supporting costs	1,189,918	594,711
Purchase of poppies and crosses	695,520	739,555
Merchandising costs	<u>47,654</u>	<u>-</u>
Company	2,724,574	1,839,170
Deduct purchase of poppies and crosses from Lady Haig Poppy Factory	<u>(695,520)</u>	<u>(485,664)</u>
Group	<u>2,029,054</u>	<u>1,353,506</u>
The cost of generating voluntary income in 2011 has been restated by £253,891 due to a change in accounting policies relating to stock.		
8. Manufacturing costs	2012	2011
	£	£
Salaries, national insurance and pension costs	968,700	603,886
Materials consumed	183,877	77,407
Increase in finished goods	(170,739)	(2,899)
Operating expenses	<u>136,971</u>	<u>67,290</u>
	1,118,809	745,684
Analysed as follows:-		
Unrestricted activities	950,121	629,124
Restricted activities	<u>168,688</u>	<u>116,560</u>
	<u>1,118,809</u>	<u>745,684</u>

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011

	2012	2011
9. Benevolence Grants	No.	No.
a) Company		
(i) Individuals		
Annual review cases		
At 1 April 2011	202	207
Additions	12	35
Withdrawals	(64)	(40)
	<hr/>	<hr/>
At 30 September 2012	150	202
	<hr/>	<hr/>
Individual cases	1,795	1,100
	<hr/>	<hr/>
Annual Pension Grants to ex-Factory employees	19	18
	<hr/>	<hr/>
Unrestricted	£	£
Individual cases	806,710	498,815
Annual review cases	331,015	266,579
Annual Pension Grant to ex-Factory employees	13,502	8,909
	<hr/>	<hr/>
	1,151,227	774,303
Restricted		
The Mac and Rosie McGearey Initiative	-	24,434
Sandilands Memorial Trust	16,294	-
	<hr/>	<hr/>
At 30 September 2012	1,167,521	798,737
	<hr/>	<hr/>
9. Benevolence Grants (cont'd)	2012	2011
	£	£
(ii) Grants to other organisations		
The Royal British Legion Scotland	97,225	58,917
OA Scotland	89,357	66,850
Veterans Scotland	41,959	31,201
The Thistle Foundation	40,000	-
Scottish Veterans Garden City Association (Inc)	150,000	337,250
Ex-Services Mental Welfare Society – Scottish Activities	40,000	50,000
The 'Not Forgotten' Association	3,000	5,000
Scottish Veterans Residences	250,000	-
National Gulf Veterans	3,000	3,000
SSAFA Forces Help	12,318	9,266
Gardening Leave	5,000	-
The Mark Wright Project	15,000	15,000
Housing Options – Scotland	5,000	-
Horseback UK	-	40,000
The Regular Forces Employment Agency	-	31,796
The Woodlands Trust	-	15,000
Citizens Advice Scotland	65,203	29,094
The Scottish Society for Ex-Regular Forces Employment	-	2,500
Music in Hospitals – Scotland	4,700	-
Haig Homes	15,000	-
Tayforth Veterans	6,197	-
William Simpson's Home	20,000	-
Miscellaneous	13,647	-
Citizens Advice Scotland (Restricted)	225,000	190,000
The Lady Haig Poppy Factory	10,069	-
	<hr/>	<hr/>
Company	1,111,673	884,874
Deduct		
The Lady Haig Poppy Factory	3,330	-
	<hr/>	<hr/>
Group	1,108,343	884,874
	<hr/>	<hr/>

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011

(iii) Grants to other organisations	2012 £	2011 £
Accommodation grants	93,074	74,358
Accommodation grants includes notional rental income reported at Note 6.		
Total Company	2,372,268	1,757,969
Analysed as follows:-		
Unrestricted activities	2,130,974	1,543,535
Restricted activities	241,294	214,434
Deduct grant to The Lady Haig Poppy Factory	2,372,268	1,757,969
Restricted	(3,330)	-
Welfare expenditure	32,193	16,399
Total Group	2,401,131	1,774,368
(iii) Grants to other organisations		
b) Total Group		
Analysed as follows:		
Unrestricted activities	1,964,809	1,543,535
Restricted activities	436,322	230,833
	2,401,131	1,774,368

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:-

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

The assessed value of this benefit to the above charities is £93,074 (2011: £74,358) as stated in note 9 a) (iii) above.

10. Benevolence support costs	2012 £	2011 £
Salaries, national insurance and pension costs	422,136	244,870
Other supporting costs	115,223	80,191
Other supporting costs (restricted)	5,870	-
	543,229	325,061
11. Governance costs		
The Earl Haig Fund Scotland		
Salaries, national insurance and pension costs	70,784	45,177
Other supporting costs	50,150	29,589
Auditor's remuneration	12,840	8,489
a) Company	133,774	83,255
The Lady Haig Poppy Factory		
Salaries, national insurance and pension costs	1,384	780
Other supporting costs	750	2,001
Auditor's remuneration	250	3,720
	2,384	6,501
b) Group	136,158	89,756

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011

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 Costs 2012 £	General Overheads 2012 £	Staff Costs 2011 £	General Overheads 2011 £
Generating funds	174,341	122,440	118,413	81,394
Charitable activities	142,164	51,845	94,434	42,139
Support to other organisations	115,372	103,024	71,835	68,326
Governance	70,785	14,567	45,177	12,323
	<u>502,662</u>	<u>291,876</u>	<u>329,859</u>	<u>204,182</u>

13. Staff costs

	2012 £	2011 £
Manufacturing		
Wages and salaries	874,416	541,708
Social security costs	52,476	35,902
Other pension costs	39,490	24,559
	<u>966,382</u>	<u>602,169</u>
Administration		
Wages and salaries	1,108,561	735,146
Social security costs	104,032	64,751
Other pension costs	156,302	75,613
	<u>1,368,895</u>	<u>875,510</u>
Group	<u>2,335,277</u>	<u>1,477,679</u>

Staff Numbers

	No.	No.
The average monthly number of employees analysed by function was:-		
Manufacturing - full-time	43	35
Administration - full-time	26	29
- part-time	8	5
	<u>77</u>	<u>69</u>
- full-time	69	64
- part-time	8	5
Group	<u>77</u>	<u>69</u>

One member of staff received emoluments in excess of £60,000 during the 12 month period to 30 September 2012 (2011: one).

No director was reimbursed for expenses from the company during the period (2011: Nil).

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011

	2012 £	2011 £
14. Other resources expended		
<u>Poppyscotland</u>		
Costs incurred in pursuing merger talks with The Royal British Legion	11,484	18,097
Excess company funding contributions to the Final Salary Pension Scheme	-	30,200
Depreciation	150,455	-
Costs incurred in connection with the proposed purchase of office accommodation in Glasgow	-	9,996
	<hr/>	<hr/>
Company	161,939	58,293
<u>The Lady Haig Poppy Factory</u>		
Depreciation	7,999	-
	<hr/>	<hr/>
Group	169,938	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 deficit for the financial period was £1,315,951 (12 months to March 2011 Restated: £166,921). The cost of generating voluntary income in 2011 has been restated by £253,891 due to a change in accounting policies relating to stock resulting in a restated deficit of £166,921 in 2011.

16. Taxation

Both The Earl Haig Fund Scotland and The Lady Haig Poppy Factory are registered charities, and as such are entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of each charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

17. Tangible Fixed Assets

a) Group	Heritable Property £	Machinery £	Motor Vehicles £	Computer Equipment £	Equipment £	Total £
Cost						
At 1 April 2011	331,919	117,843	47,324	45,714	26,795	569,595
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2012	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 2011	73,288	115,382	47,324	35,046	24,726	295,766
Charge for period	9,162	-	-	799	-	9,961
Merger adjustment	142,463	2,461	-	9,869	2,069	156,862
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2012	224,913	117,843	47,324	45,714	26,795	462,589
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value						
At 30 September 2012	107,006	-	-	-	-	107,006
	<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/>

Included in heritable property is an amount of £26,554 (2011: same) in respect of land which has not been depreciated.

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
As at 30 September 2012 and 31 March 2011

17. Tangible Fixed Assets (cont'd)

b) Charity

	Heritable £	Motor Vehicles £	Computer Equipment £	Equipment £	Total £
Cost					
At 1 April 2011	331,919	26,842	34,998	18,446	412,205
At 30 September 2012	331,919	26,842	34,998	18,446	412,205
Depreciation					
At 1 April 2011	73,288	26,842	26,207	18,446	144,783
Charge for period	9,162	-	799	-	9,961
Merger adjustment	142,463	-	7,992	-	150,455
At 30 September 2012	224,913	26,842	34,998	18,446	305,199
Net Book Value					
At 30 September 2012	107,006	-	-	-	107,006
Net Book Value					
At 31 March 2011	258,631	-	8,791	-	267,422

Included in heritable property is an amount of £26,554 (2011: same) in respect of land which has not been depreciated.

- c) The Trustees are of the opinion that the site at Logie Green Road in Edinburgh with detailed planning consent has a value in the region of £900,000

18. Investment in subsidiary

	At 30 September 2012 £	At 31 March 2011 £
1,000 Ordinary Shares of £1 at cost	1,000	1,000

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.

The Earl Haig Fund Scotland, as the parent company, considers the value of the investment to be supported by the underlying assets of the subsidiary.

The Royal British Legion located at 199 Borough High Street, London, SE1 1AA is the ultimate parent and controlling party from whom consolidated financial statements can be obtained.

19. Investments

	£	£
Market value of listed securities at 1 April 2011	9,215,282	9,513,213
Additions	210,201	594,500
Disposals	(189,587)	(1,343,176)
Unrealised (loss)/gain during the period	(305,853)	444,913
Market value of listed securities at 30 September 2012	8,930,043	9,209,450
Market value of unlisted securities	-	5,832
Market value of securities at 30 September 2012	8,930,043	9,215,282
Investment categories		
UK	8,926,826	9,209,105
Cash	3,217	6,177
	8,930,043	9,215,282

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
As at 30 September 2012 and 31 March 2011**

	At 30 September 2012	At 31 March 2011
	£	£
19. Investments (cont'd)		
Cost at 30 September: listed securities	8,466,932	8,438,927
unlisted securities	-	5,832
	<u>8,466,932</u>	<u>9,323,344</u>

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

Sarasin Sterling Bond – B Income	507,159	-
Sarasin International Equity Income – B Inc	447,320	471,374
Sarasin Alpha CIF for Endowments (Income units)	7,598,071	7,990,924

	Group 30 September 2012	Company 30 September 2012	Group 31 March 2011 Restated	Company 31 March 2011 Restated
20. Stock				
Finished goods	217,322	-	46,583	-
Work in progress	57,202	-	34,014	-
	<u>274,524</u>	<u>-</u>	<u>80,597</u>	<u>-</u>

Following the merger with The Royal British Legion in June 2011 the accounting policy in relation to stock held by The Earl Haig Fund Scotland Group was brought into line with the accounting policy of The Royal British Legion. This change in policy resulted in all stock sold by the Lady Haig Poppy Factory to its parent The Earl Haig Fund Scotland being recorded as a cost of generating voluntary income at the point of purchase. Stock recorded as held by the The Earl Haig Fund Scotland Group relates to stock held by its subsidiary, The Lady Haig Poppy Factory. Stock in 2011 has been restated by £253,891 due to a change in accounting policy.

	Group 30 September 2012 £	Company 30 September 2012 £	Group 31 March 2011 £	Company 31 March 2011 £
21. Debtors				
The Royal British Legion	119,816	119,816	-	-
Other debtors and prepayments	195,722	129,063	410,379	377,029
	<u>315,538</u>	<u>248,879</u>	<u>410,379</u>	<u>377,029</u>

22. Creditors: Amounts falling due within one year

Bank overdraft	-	-	14,873	14,873
The Lady Haig Poppy Factory	-	145,580	-	285,270
Scottish Veterans Garden City	150,000	150,000	35,573	35,573
Other creditors and accrued charges	301,099	270,385	249,243	229,775
	<u>454,699</u>	<u>569,565</u>	<u>299,689</u>	<u>565,491</u>
Unrestricted	454,699	569,565	299,689	565,491
Restricted	-	-	83,859	75,058
	<u>454,699</u>	<u>569,565</u>	<u>383,548</u>	<u>640,549</u>

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
As at 30 September 2012 and 31 March 2011

	Group 30 September 2012	Company 30 September 2012	Group 31 March 2011 Restated	Company 31 March 2011 Restated
	£	£	£	£
23. Funds				
a) Movement for the year				
Balance at 1 April 2011	11,315,953	10,842,562	10,968,557	10,564,570
Net outgoing resources before investment losses	(1,276,194)	(1,315,872)	(112,652)	(182,056)
Actuarial loss – Final Salary Pension Scheme	(1,348,000)	(1,348,000)	-	-
Realised gains on investments	(79)	(79)	15,135	15,135
Unrealised gains on investments	(305,853)	(305,853)	444,913	444,913
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2012	8,385,827	7,872,758	11,315,953	10,842,562
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Balance at 1 April 2011 Restated	Income	Expenditure	Investment losses	Transfer between 30 September Funds	Balance at 30 September 2012
	£	£	£	£	£	£
b) (i) Group Fund Analysis						
Designated Funds						
Final Salary Pension Scheme	219,800	-	(994)	-	(218,806)	-
LHPF Contingency Fund	24,971	-	(11,160)	-	(13,811)	-
Capital Fund	1,648	-	-	-	(1,648)	-
Restricted Funds						
Third Party Grants	6,773	457,579	(425,705)	-	-	38,647
Welfare Fund	35,564	20,856	(32,193)	-	-	24,227
General Fund	11,027,197	4,643,689	(7,276,266)	(305,932)	234,265	8,322,953
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	11,315,953	5,122,124	(7,746,318)	(305,932)	-	8,385,827
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Balance at 1 April 2011 Restated	Income	Expenditure	Investment gains	Transfer between 30 September Fund	Balance at 30 September 2012
	£	£	£	£	£	£
b) (ii) Company Fund Analysis						
Designated Funds						
Final Salary Pension Scheme	219,800	-	(994)	-	(218,806)	-
Restricted Funds	5,000	279,204	(279,164)	-	-	5,040
General Fund	10,617,762	4,340,708	(7,003,626)	(305,932)	218,806	7,867,718
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	10,842,562	4,619,912	(7,283,784)	(305,932)	-	7,872,758
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Opening balances at April 2011 have been restated by £253,891 due to a change in accounting policy relating to stock.

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 2010, Financial Reporting Standard 17 has been adopted in the preparation of these financial statements resulting in the release of the funds designated for the possible purpose of covering any possible future deficit in 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.

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011

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

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

	2012 Restricted Funds £	2012 General Funds £	2012 Total Funds £
24. Analysis of Net Assets Group			
Fund balances are represented by:-			
Tangible fixed assets	-	107,006	107,006
Investments	-	8,930,043	8,930,043
Current assets	62,874	1,130,603	1,193,477
Current liabilities	-	(454,699)	(454,699)
Long-term liabilities	-	(1,390,000)	(1,390,000)
	<hr/>	<hr/>	<hr/>
Total net assets at 30 September 2012	62,874	8,322,953	8,385,827
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Restricted Funds £	General Funds £	Total Funds £
24. Analysis of Net Assets Company			
Fund balances are represented by:-			
Tangible fixed assets	-	107,006	107,006
Investments	-	8,931,043	8,931,043
Current assets	5,040	789,234	794,274
Current liabilities	-	(569,565)	(569,565)
Long-term liabilities	-	(1,390,000)	(1,390,000)
	<hr/>	<hr/>	<hr/>
Total net assets at 30 September 2012	5,040	7,867,718	7,872,758
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

25. Notes of the Cash Flow Statement

a) Reconciliation of changes in resources to net cash flow from operating activities

	2012 £	2011 £
Net outgoing resources before exceptional items and investment gains	(1,276,194)	(112,652)
<u>Less: Investment income</u>	(555,298)	(343,334)
	<hr/>	<hr/>
	(1,831,492)	(455,986)
Gain on sale of Fixed Assets	-	(130)
Decrease/(Increase) in stocks	59,964	265,340
Decrease/(Increase) in debtors	94,841	(194,529)
Decrease/(Increase) in creditors	71,151	(82,487)
Increase in long-term creditors	42,000	-
Depreciation	166,823	16,304
	<hr/>	<hr/>
Net cash outflow from operating activities	(1,650,604)	(451,488)
	<hr/> <hr/>	<hr/> <hr/>

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011**

b) Analysis in changes in liquid assets	At 30 September 2012 £	Cash flows £	At 1 April 2011 £
Cash at bank	603,415	(1,115,999)	1,719,414
	<u>603,415</u>	<u>(1,115,999)</u>	<u>1,719,414</u>
	<u><u>603,415</u></u>	<u><u>(1,115,999)</u></u>	<u><u>1,719,414</u></u>

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	18 months to 30 September 2012	12 months to 31 March 2011 £	£
Total incoming resources	1,201,061		837,988
Total resources expended	1,161,382		768,585
	<u>39,679</u>		<u>69,403</u>
	<u><u>39,679</u></u>		<u><u>69,403</u></u>

The aggregate of the assets, liabilities and funds of The Lady Haig Poppy Factory Limited was:-

Assets	544,783	502,659
Liabilities	(30,714)	(28,269)
Net Assets	<u>514,069</u>	<u>474,390</u>
	<u><u>514,069</u></u>	<u><u>474,390</u></u>

Restricted funds held within the Welfare Fund and amounting to £19,226 are included in total net assets.

27. Retirement Benefits

The Earl Haig Fund Scotland Group pension arrangements comprise the following schemes:-

The Earl Haig Fund Scotland – Stakeholder Scheme; this is a defined contribution pension scheme, which was made available to permanent employees following the closure of the defined benefit scheme to new members in July 2002. The standard contribution rates have been set at 6% and 12% by the employee and the employer respectively.

The Lady Haig Poppy Factory – Stakeholder Scheme: this is a defined contribution pension scheme available to the factory workforce. The standard contribution rates have been set at 3% by the employee and the employer.

The Earl Haig Fund Scotland – Stanplan F: this is 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 29.5% of gross pensionable salary and is expected to remain at this level for the foreseeable future.

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 EARL HAIG FUND SCOTLAND
(A Company Limited by Guarantee)

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011

27. Retirement Benefits (cont'd)

Prior to the merger with The Royal British Legion in June 2011 the directors considered the proposed costs involved in complying with the disclosure requirements of FRS 17 Retirement Benefits. The directors felt unable to justify these costs as charitable expenditure in furtherance of the charity's aims. However, since merging with The Royal British Legion in June 2011 and in order to come into line with the financial reporting policies of the parent company, The Earl Haig Fund Scotland has adopted the Financial Reporting Standard 17 Retirement Benefits in preparing these financial statements.

Amounts recognised in the Statement of financial activities	18 months to 30 September 2012
<u>Analysis of amounts charged to net outgoing resources</u>	
Current Service cost	£141,000
Interest on liabilities	£332,000
Expected return on Fund assets	(£311,000)
Employer contributions	<u>(£120,000)</u>
Total decrease in net outgoing resources	£42,000
Actuarial losses recognised over the 18 months period	£1,203,000
Imputed actuarial loss as at 31 March 2011	£145,000
Total decrease in net funds recognized at 30 September 2012	<u>£1,390,000</u>
<u>Reconciliation to the Balance Sheet at 30 September 2012</u>	
Market value of assets	£3,944,000
Present value of liabilities	<u>£5,334,000</u>
Deficit in the Fund	<u>(£1,390,000)</u>
<u>Analysis of changes in the value of fund liabilities over the year</u>	
Value of liabilities at 1 April 2011	£4,017,000
Service cost	£ 141,000
Interest cost	£ 332,000
Member contributions	£ 30,000
Benefits paid	(£ 174,000)
Actuarial losses	<u>£ 988,000</u>
Value of Liabilities at 30 September 2012	<u>£5,334,000</u>
<u>Analysis of changes in the value of the fund assets over the year</u>	
Market value of assets at 1 April 2011	£3,872,000
Expected return on fund assets	£ 311,000
Actuarial losses	(£ 215,000)
Employer contributions	£ 120,000
Member contributions	£ 30,000
Benefits paid	<u>(£ 174,000)</u>
Market value of assets at 30 September 2012	<u>£ 3,944,000</u>
At 30 September 2012	
Market value of Stanplan F assets	£3,944,000
Value of Stanplan F liabilities	<u>£5,334,000</u>
Deficit in the Stanplan F	<u>(£1,390,000)</u>
Losses arising on Stanplan F liabilities:	
Due to experience	£20,000
% of liabilities	0%
Due to change of basis	£968,000
% of liabilities	18%
Experience Losses:	
Arising on Stanplan F assets	£215,000
% of assets	5%

The amounts shown in the table above for value of assets are quoted at bid-price.

The cumulative amount of actuarial losses recognised in the STRGL (since 2011) is a cumulative loss of £1,203,000.

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 18 months ended 30 September 2012 and 12 months ended 31 March 2011**

27. Retirement Benefits (cont'd)

The total assets of The Earl Haig Fund Scotland – Stanplan F are held with Standard Life Investments Ltd. Details of the assets held as at 30 September 2012 as provided by JLT Benefit Solutions, the Administrator of the Stanplan F are listed below:

Global Absolute Returns Strategies	£270,815
Index Linked	£329,062
Institutional Global Equity Select 60:40	£852,498
Managed	£1,066,386
Managed Cash	£21,437
Pacific Basin	£288,568
Pooled Property	£583,807
UK Mixed Bond	£521,600
Net Current Assets	£ 10,264
Total Assets for valuation purposes (unaudited)	£ 3,944,437

Financial Assumptions	18 months to 30 September 2012
Discount Rate	4.00% pa
Retail prices index (RPI) inflation	2.50% pa
Consumer prices index (CPI) inflation	1.50% pa
Salary Increases	2.50% pa
Rate of increases of pensions in payment: 5% or CPI if less with minimum increase rate of 3% pa	3.10%
2.5% or CPI if less	1.35% pa
Rate of increase for deferred pensioners	1.50% pa
Expected return on assets	4.20% pa

Life expectancies at age 60	18 months ended	
	Males	Females
Current pensioner now aged 60 in 2012	28.8 years	31.9 years
Future pensioner now aged 40 in 2012	30.8 years	33.9 years

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;

The Earl Haig Fund Scotland operates a cost sharing policy with The Royal British Legion Scotland and the Officers Association 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

Prior to the merger with The Royal British Legion Scotland the Board of The Earl Haig Fund Scotland approved contributions to assist with the funding of the Scottish West Coast Outreach Team of Combat Stress; the final tranche of £20,000 due for payment in the period to March 2014 remains outstanding and is subject to suitable interim reports being received from the organisation in due course.

30. Post balance sheet event

Following clarification of all outstanding issues regarding the transfer of ownership of the property at 9 Holyrood Crescent in Glasgow by The Cameronians (Scottish Rifles) General Trust, to The Earl Haig Fund Scotland, the property has become the responsibility of The Earl Haig Fund Scotland on 8th November 2012.