



Annual Report and Group and Company Financial Statements for The Earl Haig Fund Scotland (Poppyscotland) for the financial year ending 30 September 2013

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 2013

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**THE EARL HAIG FUND SCOTLAND
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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

Trustee

Dr C Simpkins DMA HonDUniv DL

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

The Lady Haig Poppy Factory

Major C Pelling

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

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Legal Adviser

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Investment Managers

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**THE EARL HAIG FUND SCOTLAND
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CHIEF EXECUTIVE'S REPORT

The reporting period has witnessed the first full year of implementation of Poppyscotland (The Earl Haig Fund Scotland)'s 5-year plan which seeks to achieve goals set when we joined The Royal British Legion group of charities in 2011. Chief amongst these was bringing our welfare provision up to the level available elsewhere in the United Kingdom through The Royal British Legion, and enabling Poppyscotland to realise more fully its fundraising potential. The period has accordingly seen significant investment in extending our welfare offering for our beneficiaries, and in sustaining, protecting and growing our capacity to generate the income necessary to support them in the longer term. I am glad to be able to report that over the last 12 months excellent progress has been achieved towards attaining these goals. In addition, the relationship between Poppyscotland and The Royal British Legion has strengthened and developed most positively during the year.

In straightforward financial terms, Poppyscotland has had an excellent year, achieving a surplus of £382,271. Although the 2012 Scottish Poppy Appeal raised 1.7% less than in 2011, this result came against a background of wider charity sector income being in some instances down by as much as 20%, and still represented an increase of 12.76% on the 2010 Appeal total. Seen in this context, Scottish Poppy Appeal income, and the terrific public support underlying it, held up very well indeed. They did so despite the difficult economic climate and the focus of the media turning increasingly away from the war in Afghanistan, as an end to the deployment of United Kingdom Forces there approaches. Other fundraising streams more than offset the drop in Appeal income, legacies making a notably welcome contribution of £443,806.

The year should not however, be assessed purely in monetary terms, since it is what is done with the charity's income that is of prime importance in achieving our charitable objects. The reporting period saw an expansion of Poppyscotland's capacity, reach and range of services that has been highly motivating for our staff, volunteers and supporters. A particular success has been the opening of an information and advice centre in Inverness, extending Poppyscotland's physical presence beyond Scotland's central belt to serve the North of Scotland, the Highlands and Islands. From this new office we have been able to support a part of Scotland in which a high concentration of veterans has settled, which has a strong military tradition and a continuing, substantial, serving military presence. We have also been able to extend our collaborative work with other charities and organisations in an area of Scotland which has hitherto lacked a focal point for the delivery of welfare support to the Armed Forces and Veterans' community. Improvements to our estate and our capacity to serve our beneficiaries from it have not moreover, been limited to the North of Scotland. During the year we have completely refurbished premises very generously donated to us by The Cameronians Regimental Association, in the Kelvinbridge area of Glasgow. These are much more spacious, flexible and suitable than our current premises in Kinning Park, as well as being more easily accessible to visitors and volunteers. We will occupy these new offices, which will be known as Cameronian House, in early 2014 and in accordance with both the spirit and letter of the Cameronians Regimental Association's gift, we will maintain the building both as our Glasgow office and as a memorial to The Cameronians (Scottish Rifles). We also intend to fully honour the Association's wish that we develop the building's considerable spare capacity as a hub for veterans' welfare activity, in much the same way as New Haig House in Edinburgh has been used over so many years. In this regard I am pleased to be able to report that our Kinning Park tenants, The Regular Forces Employment Association, will be moving with us to Cameronian House in the New Year.

The year has also seen increases to our service provision, whether directly delivered or delivered through trusted and expert partner charities such as APEX, Royal British Legion Industries, The Scottish Association for Mental Health and Citizens Advice Scotland. We have introduced a suite of new employment support services, expanded our Armed Services Advice Project collaboration with Citizens Advice Scotland and seen the launch of the *Sorted!* Employment consortium, which Poppyscotland has formed with The Royal British Legion, Royal British Legion Industries, The Poppy Factory, The Officers' Association, The Officers' Association Scotland and the Regular Forces Employment Association. Through the medium of *Sorted!*, contact with any one of its member charities now makes available to clients the diverse and wide-ranging services of all seven.

CHIEF EXECUTIVE'S REPORT (cont'd)

Throughout the year our work to spread the word about the needs of our beneficiaries and the debt owed to them has continued apace. We held a successful film competition for schools for a second year as part of our Education Programme. We conducted effective, innovative and successful Appeal and volunteer-recruitment advertising. We also further expanded our social-media activity, a means of communication in which it is now vital for charities to engage vigorously. In parallel with all of this we have continued, as head of the Veterans Scotland Support Pillar, to lead Working Groups on Employment, Advice and Support and Grant-Giving, each of which seeks to promote and progress communication and collaborative work between veterans' charities in Scotland.

The substance of our work and the progress we have made over the year is set out more fully in the pages following this. It is however, essential for me to stress that none of the charity's many achievements over the year would have been possible were it not firstly, for the tremendous encouragement and generosity we have had from the Scottish public and secondly, for the continuing exemplary commitment and dedication of our army of volunteers and collectors. Once again this year I must in particular single out the tremendous achievement of our volunteers and area organisers from among the branches and membership of The Royal British Legion Scotland, whose efforts brought in fully a third of our Appeal income. I am most grateful to them and to all our many other volunteers and collectors for their most willing and highly productive endeavours; the imagination and energy of our fundraising volunteers of all kinds never ceases to surprise and impress me. Our staff too, have worked with admirable energy and good humour throughout what has been an exciting and purposeful year. I am most appreciative of and thankful to them for their industry and support.

Finally, I must also record my thanks to my Senior Management Team, colleagues at The Royal British Legion, members of the Scottish Advisory Committee to the Board of Trustees of The Royal British Legion and to our President, Lieutenant General Sir Alistair Irwin. I am extremely grateful to them for all their hard work, support and sage advice. I however, am particularly indebted to the Scottish Advisory Committee's Chairman, Major David Noble. He will stand down at the end of 2013 after having been a trustee of Poppyscotland from 1994 to 2011, its Board Chairman from 2009 to 2011 and then the Chairman of the Scottish Advisory Committee from 2011 to 2013. For any individual to devote nigh on 20 years to the work of a charity is highly laudable, but the drive, vision and clear-sighted leadership he has brought to Poppyscotland has been simply remarkable. It is to him that Poppyscotland owes its rude health, vigour and clear sense of purpose and he will without doubt be sorely missed. His successor as Scottish Advisory Committee Chairman, Lieutenant Commander Graeme Alexander, will as they say, have a very hard act to follow. Yet as another saying goes, cometh the hour, cometh the man; I look forward very much to working more closely with him in the year ahead as Poppyscotland strives further to do more and better for its beneficiaries.



**Ian M McGregor
Chief Executive**

January 2014

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

REPORT OF THE TRUSTEES'

The Trustees submit their annual report and audited consolidated financial statements for the year ended 30 September 2013. 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.

The Earl Haig Fund Scotland, of which Poppyscotland is the trading name, is 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 charity's Articles of Association, a Scottish Advisory Committee was formed in 2011. 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 2013 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 main objectives for the year were:

Objectives & Activities

The Charity'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.

**THE EARL HAIG FUND SCOTLAND
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REPORT OF THE TRUSTEES' (cont'd)

Main objectives for the year

Welfare Services

- To continue to support individuals in financial need.
- To continue to support organisations who deliver services in support of our client group.
- 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).
- To progress the national advice project with Citizens Advice Scotland.
- To open an office in Inverness with the aim of creating an information hub which is accessible to potential beneficiaries, volunteers and for fundraising purposes.
- 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.
- To investigate the feasibility of operating a Break Centre in Scotland.
- To enhance the quality of life of our beneficiaries by providing a trusted and high-quality home maintenance and improvement service which will enable them to live independently in safety, security and with dignity in their own homes.
- To lead the Veterans Scotland Support Pillar and the specialist working groups which are part of it.

Fundraising

- To continue to seek joint working opportunities with The Royal British Legion.
- To develop an Events portfolio.
- To increase income obtained from The Scottish Poppy Appeal.
- To enhance our fundraising in the North of Scotland through the recruitment of a Community Fundraiser (North) to operate from new Poppyscotland premises in Inverness.

Marketing

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

Properties

- To continue with the maintenance programme for the New Haig site.
- To refurbish the property at 9 Holyrood Crescent, Glasgow as suitable office accommodation.

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

**THE EARL HAIG FUND SCOTLAND
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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

The reporting period saw considerable progress in meeting our objectives notwithstanding our making slower progress in two specific instances. In accordance with the principal objectives of the charity to relieve suffering, hardship and distress, benevolence assistance and support amounted to £1.96M.

In excess of £771,000 was spent directly on supporting more than 1,500 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.

We introduced a range of new employability initiatives to help those veterans who are most detached from the workplace back into employment. Employ-Able, delivered in partnership with the Scottish Association for Mental Health has helped 35 veterans since its launch in November 2012. The first LifeWorks course was held in Scotland with a number of other veterans attending courses elsewhere in the United Kingdom. LifeWorks is delivered by Royal British Legion Industries and funded by Poppyscotland. We also introduced a new service working with APEX Scotland to assist veterans with a criminal record back into employment. Early signs are very encouraging for all three initiatives and we will seek to build on this over the coming year.

Employment Support Grants, our most established employment offering, continued to attract positive interest and over the year 38 grants were awarded. *Be the Boss* is a Small Business Loan scheme that Poppyscotland delivers on behalf of our parent organisation, The Royal British Legion, using grant funding from the Department for Business, Innovation and Skills. During the year access to *Be the Boss* loan and grant funding had to be suspended due to the popularity of the scheme. Applicants who had already registered with the scheme continued to receive pre-start up advice and mentoring as well as post-start up support. Following this development we will strive to investigate alternative Small Business Loan funding over the coming year.

In September 2013 Poppyscotland was one of the partners at the launch of an employment consortium called *Sorted!*. *Sorted!* is a consortium of charitable organisations within the field of employment, offering a single focus and appropriate advice and referrals for the Armed Forces community, past and present. The consortium has been jointly developed by 7 Service charities, all of which currently provide different tailored services within the employment support arena. Other partners in the consortium are: The Royal British Legion, Royal British Legion Industries, The Poppy Factory, The Regular Forces Employment Association, The Officers' Association and The Officers' Association Scotland.

We continue to work side by side with SSAFA's 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 many volunteers from SSAFA who support us in this way.

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REPORT OF THE TRUSTEES' (cont'd)

Welfare Services (cont'd)

Our grant-making follows a rigorous process of needs assessment by volunteer caseworkers followed by grant allocation by means of independent scrutiny of statement of case. During the period under review, some 110 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.

£611,221 was applied to support charitable activities undertaken by other organisations delivering services supporting the Armed Forces community thus fulfilling aims and objectives in harmony with those in our Constitution. Grants awarded included £10,000 to Housing Options Scotland for their Military Matters project, £25,000 to the Regular Forces Employment Association towards the cost of running their employment service in support of vulnerable veterans and £24,912 to Horseback UK towards the cost of modernising areas of their facilities to make them more accessible to their disabled clients.

In June 2013 Poppyscotland opened an information and advice centre in Inverness. This is the first time that the charity has had a physical presence outside of Scotland's Central Belt. The centre has a fundraising presence but its primary offering is to assist veterans and their dependants living in the North of Scotland who require specialist support. The Inverness Centre team has settled in very well and has already firmly established itself at the heart of the local community, delivering the support to the Armed Forces community that we envisaged.

The Armed Services Advice Project (ASAP) continues to go from strength to strength both in terms of infrastructure and requests for assistance. The initial 3-year period of the Armed Services Advice Project (ASAP) was concluded on 30 June 2013. Over the 3 years there were a total of 4,153 ASAP clients who accessed the service. Discounting repeat clients, 3,299 unique individuals were supported. Key headline statistics are:

- The split of clients across the Services showed 71% of clients connected to the Army, 17% to the RAF and 11% to the Royal Navy / Merchant Navy. (2% of clients were recorded as 'other').
- 69% of clients were ex-serving and 16% were dependants, families or carers of veterans. 10% were still serving and 3% were dependants of serving personnel. (2% of clients were recorded as 'other').
- There were 13,315 new and repeat issues recorded, which resulted in an average of
 - o 5.1 issues per client for face to face advice in the regions,
 - o 1.4 issues per client for the helpline.
- 42% of issues raised were about benefits, 20% concerned debts. Housing accounted for 8% of issues raised, employment 7%, and financial issues including grant applications 8%.
- Total client financial gain was £1,954,043.57, which is a return of £2.85 for every £1 of funding received over the 3 year period. A total of 555 clients benefited from a financial gain; the average financial gain per client was £3,520.80.

During the year the project was extended to take in Edinburgh and the Lothians, Clackmannanshire and, due to local authority funding, Falkirk as well.

The initial contract for ASAP terminated on 30 June 2013 but was extended to 30 September 2013 to fit in with our changing our financial year in 2011. We have subsequently secured a 3-year agreement with Citizens Advice Scotland which has secured the future of ASAP until at least 30 September 2016. We will continue to grow the geographic footprint of ASAP as well as consolidate service provision in the existing regions. From 1 October 2013 there will be an ASAP presence in Aberdeen, Aberdeenshire, Angus and Perth with the ASAP manning hours in Dundee and Fife being increased as well.

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REPORT OF THE TRUSTEES' (cont'd)

Welfare Services (cont'd)

During the year 63 individuals undertook Poppy Breaks at Royal British Legion Break Centres or Family Breaks at Haven Holiday Parks. We continued our site search for a suitable location at which to establish Poppyscotland's own break centre. Identifying a suitable site proved more difficult and complicated than anticipated, for a range of different reasons, and late in the year we decided to suspend our site search and re-evaluate the need and demand for such a facility in Scotland, a decision also prompted by growing evidence that we might be able to meet client demand without developing a purpose built Break Centre. We aim to resolve this issue in the coming year.

Following an in-year review we decided to re-visit the evidence base for the likely demand for a Home Improvement Service. This review will continue throughout 2013/14.

Poppyscotland continues to lead the Veterans Scotland Support Pillar and working groups in the areas of grants to individuals, grants to organisations, advice and supported employment. The primary functions of these groups are to promote cooperation and collaboration and share best practice. Given the different subject matter for the groups, the scale of progress varied but for all of the groups the sharing of information was extremely useful. A brief summary of developments in each group is below:

Grants to Individuals. The group has continued to contribute to the development of the Casework Management System and engaged with SSAFA to encourage best practice amongst its caseworkers. During the year the group received a presentation on Welfare Reform, Money Force (a new financial-awareness tool launched this year by The Royal British Legion) and it agreed terms of reference.

Grants to Organisations. This group primarily acts as a vehicle for exchanging information between charities providing funding to organisations which deliver specific services to the Armed Forces and veterans Community. The group also agreed terms of reference.

Advice. The advice group is a relatively new initiative. Its initial intention to develop a common template for gathering statistical information has had to be postponed due to difficulties encountered by some organisations in capturing the agreed data and in presenting data in a common format. This is considered to only be a temporary situation and we are hopeful of soon agreeing a satisfactory resolution of these difficulties.

Supported Employment. The group routinely shares best practice and, in September 2013, agreed the following priorities for moving forward: creation of a common employment matrix outlining the detail of who does what in terms of employment support for veterans; improving engagement with Job Centre Plus; improved communications/awareness of the range of employment support services for veterans; and developing a shared tracking system/database for organisations to log the progress and outcomes of clients accessing employment support services.

Poppyscotland continues to participate in the Scottish Prison Service Veterans In-Reach Working Group. During the year we entered discussions with the Scottish Government with a view to extending debate to include those veterans in the wider criminal justice system. Initial discussions have been encouraging with a short work plan being developed for progression in 2013/14.

Fundraising

Proceeds from The Scottish Poppy Appeal raised £2.61 million, a 1.7% decrease over the previous year. A continuing area of success has been the number of corporate bodies supporting the Appeal, with 133 taking part in 2012/13, an increase of 27% on the previous year. In addition a number of areas saw increases in their Appeal totals including the Highlands, North Ayrshire and Renfrewshire. Overall, £3.06 million was raised through the efforts of the fundraising team with a further £443,806 being added through the receipt of legacies.

**THE EARL HAIG FUND SCOTLAND
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REPORT OF THE TRUSTEES' (cont'd)

Fundraising (cont'd)

For the second year we operated our key mass-mailing initiative, the Little Remembrance Cross mailing. The number of packs mailed this year increased to 250,000 and as a consequence we recruited a total of 3,318 new donors. The mailing to households raised £289,200 in gross income, almost 1.5% above target and a 19% increase on the previous year. 13,000 crosses were planted in the Field of Remembrance in Princes Street Gardens, Edinburgh.

We continued to develop and expand our individual-giving and donor-recruitment activities. The Poppyscotland raffle generated £148,597 over the period and we recruited a record 53,912 new donors from all our campaigns. We continued to operate a rolling programme of regular-giving promotion raising over £86,000.

This year saw our Events programme being managed by a discrete Events Fundraiser. Her initial year in post saw over £34,000 gross income raised, 28% over target. A number of new events were tackled by Poppyscotland supporters on our behalf including The Caledonian Challenge and Pedal to Paris. We also launched our new cycling initiative, Cycling for Comrades at the Scottish Bike Show. Our Community Fundraising function also saw the appointment of a Community Fundraiser in the North of Scotland. Our Community Fundraising activities raised in excess of £63,000, 30% above target. We sought to increase the number of activities available to supporters by 20% and achieved 40%. Furthermore, we met our target of increasing supporter participation in runs and marathons.

Our Education programme continued to develop and our 2013 pack to schools included three new double-sided education posters with English on one side and Gaelic on the other, an updated double DVD featuring our new films, all of the finalists' films from *Moving Stories*, our education competition over the past two years, and a schools fundraising leaflet. This pack was sent out to 2,955 schools and direct contacts within schools and youth groups. This is a significant increase from last year's mailing of 200. Our Education website also attracted significant attention with a total of 15,922 visits to the website.

Finally, this year as a result of our volunteer campaigns we received a total of 486 enquiries, resulting in 118 new volunteers joining us, an increase of 43% and 11 % respectively on the previous year. Our third annual Volunteer Gathering was held in Edinburgh and was very well received.

Marketing

There has been notable progress made over the year from a marketing perspective. Our digital presence continues to be an area of strength and by the end of the reporting year our following on Facebook had reached almost 100,000, making Poppyscotland the most followed Scottish charity by quite some distance. Most important however, was the level of interaction we had with these followers. Our content strategy has led us to engage with thousands of these followers on a daily basis, offering a variety of photographs, videos, blogs and news updates. As well as recruiting new supporters, Facebook is becoming an increasingly valuable tool in both promoting our welfare services and as a means for those in need to get in touch with us. Beyond Facebook, our other social media channels have performed well. We have doubled our Twitter following to over 5,000 and our YouTube videos have been viewed more than 750,000 times. This all combines to present the Poppyscotland brand as modern, important and relevant all year round.

Significant progress has finally been made in our work to refine our Case for Support. Some final work is still required but the key strands of this have been established. Work has also been undertaken to produce a range of statistical information to strengthen the Case, including key financial data, standard welfare statistics and financial modelling highlighting the impact our welfare services have. Final refinement of the Case will be undertaken in quarter 1 of 2013/14.

**THE EARL HAIG FUND SCOTLAND
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REPORT OF THE TRUSTEES' (cont'd)

Marketing (cont'd)

During 2012/13 considerable time was spent in actively promoting Poppyscotland's welfare services specifically, and improving how we describe these services in order to make them as relevant, attractive and memorable as possible to potential beneficiaries. Central to this has been recognising that many within our potential beneficiary group might be unlikely to need specific help at the time of seeing an advertisement or leaflets. In pursuing our aim of ensuring they understand what help we can offer should they at some future stage require support, we adopted the theme of "Don't forget". This theme worked well to reinforce our message and also supported our overarching theme of "Unforgettable", which we had introduced across several other areas of activity. A range of literature has been produced to promote our financial-support services, advice services, employment services, our Employ-Able service and our new Inverness information and advice centre.

Retail sales for the year increased from £130,000 to £220,000, yielding a net return in excess of £74,000. Our exclusive licensing agreement with the Business Incentives Group was extended for a further 3 years on improved financial terms. The majority of our retail activity is still focused around the Poppy Appeal period and November 2012 saw us install 8 temporary pop-up shops at busy shopping areas across the Central Belt.

The reduction in troop numbers in Afghanistan has, as we anticipated, coincided with a gradual but perceptible decline in media coverage of issues facing the Armed Forces community. Despite this the Scottish Poppy Appeal launch, featuring Scottish singer Susan Boyle and the Scottish Military Wives Choirs, was our best to date in terms of coverage achieved. Compelling messaging, interesting case studies and credible celebrity endorsements are even more important now than before and we have to work harder than ever to convince editors to feature the issues facing the Armed Forces community in their news coverage and features. While there has been a slight drop in our media coverage overall, we are still generating more coverage than other charities in our sector and remain a very frequently-chosen first point of contact for the media when they seek comment or input on stories relating to veterans' affairs.

In May 2013, Poppyscotland received a Bronze Award at the Marketing Society of Scotland annual awards for the *Unforgettable* campaign around the 2012 Scottish Poppy Appeal. While success for the charity is, quite rightly, measured on our ability to support those in need, peer recognition such as this is a welcome endorsement of the marketing strategies we have employed.

Properties

The Earl Haig Fund Scotland took ownership of the property at 9 Holyrood Crescent, Glasgow on 8 November 2012, a gift from The Cameronians Regimental Association. A refurbishment programme commenced in April 2013 and was completed in August 2013.

A preliminary feasibility study for the refurbishment and development of the New Haig site, including The Lady Haig Poppy Factory has been drawn up. A decision regarding the way forward for the site will be taken by the end of 2014.

An information and advice centre in Inverness opened on 3 June 2013 in leased premises.

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 very many 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 12 month period by the company's subsidiary, The Lady Haig Poppy Factory Limited, amounted to £770,929 (18 months to 30 September 2012: £1,151,002), and include the cost of poppies and wreaths made by our disabled workforce in preparation for the annual Scottish Poppy Appeal in November 2013.

**THE EARL HAIG FUND SCOTLAND
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REPORT OF THE TRUSTEES' (cont'd)

Group Financial Review

Incoming resources for the 12 month period to 30 September 2013 amounted to £4,787,349 (18 months to 30 September 2012: £5,122,125).

Voluntary income

The company's income stream continues to be dominated by The Scottish Poppy Appeal held annually in November and which raised £2.611m. (2012: £2.889m). This is equivalent to 55% of total incoming resources and in line with previous financial periods.

Other donations and income raised from various fundraising activities such as raffles, events, trusts and regular supporters amounted to £466,853.

Legacies continued to be another important source of income and amounted to £443,849.

Investment income

The investment portfolio contributed a further £382,320 (18 months to 30 September 2012: £555,298). Achieving a satisfactory level of investment income is a vital supplement to voluntary giving and it is reassuring to be able to report that the Charity's Investment Fund Managers, Sarasin Partners, have been able to deliver increasing investment returns on an annual basis whilst safeguarding and increasing the capital value of the portfolio.

Incoming resources from charitable activities

The Lady Haig Poppy Factory supported group activities with the production and distribution of poppies, wreaths and remembrance crosses and contributed £359,748 to group income on a consolidated basis.

A further £508,672 was provided by other charitable organisations in support of activities undertaken by The Earl Haig Fund Scotland and included the following principal contributors:-

The Sandilands Memorial Trust	£180,822	to provide welfare for ex-Royal Artillery personnel
Cameronian Regimental Association	£200,000	the gift of the property in Glasgow
The MacRobert Trust	£ 30,000	to develop the Inverness centre
The Gannochy Trust	£ 15,000	to develop the Inverness centre
The RAF Benevolent Fund	£ 30,000	to support the Armed Services Advice Project
The Army Benevolent Fund	£ 25,000	to support the Armed Services Advice Project
Seafarers UK	£ 15,000	to support the Armed Services Advice Project

Resources expended amounted to £4,278,406 (18 months to 30 September 2012: £6,398,319).

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 12 month period covered by this report amounted to £1.455m (18 months to 30 September 2012: £2.029m).

The cost of activities in furtherance of the company's objectives amounted to £2.718m (18 months to 30 September 2012: £4.063m) and reflects the continuing level of resources required to support the needs of the ex-Service community in Scotland. Financial assistance in excess of £771,000 was provided directly to in excess of 1,500 veterans or their dependants and £611,221 was allocated to support the activities of other charitable organisations providing services and support to the service and ex-Service communities.

A centre to provide advice and support to the Veterans community in the north of Scotland was opened in Inverness in May 2013 resulting in additional staff and overhead costs in the period. This development is part of the current 5-Year Plan and reflects the charity's intent to increase its welfare footprint throughout Scotland.

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

REPORT OF THE TRUSTEES' (cont'd)

The Lady Haig Poppy Factory continues to produce poppies and wreaths in support of the annual Poppy Appeal and in so doing provides employment opportunities for 38 veterans at an overall cost to the group of £770,929.

Governance

Governance costs amounted to and reflect the allocation of management time in ensuring that The Royal British Legion, as Trustee, and the Scottish Advisory Committee are kept fully informed of the activities and progress of the charity. Management reports are provided to the Director General of The Royal British Legion, as trustee in person, on a monthly basis and to the Scottish Advisory Committee quarterly. Integral to the role of Trustee is ensuring the financial and management propriety of the organisation and to this end audit and *ad hoc* consultancy costs are included under this heading.

Pension Schemes

The company provided a defined benefit pension scheme to all eligible members of staff until this scheme was closed to new entrants in 2002. The assets of this scheme are held separately from those of the company and are managed by independent trustees. Since 2002 new eligible members of staff have been offered the opportunity of making contributions to a money-purchase scheme funded by both the employee and the company.

As a consequence of joining The Royal British Legion group of charities in June 2011 the company has adopted Financial Reporting Standard 17 in respect of the defined benefit pension scheme and First Actuarial LLP is tasked with producing a report in accordance with the requirements of this Standard. Based on the assumptions adopted by the actuary, this exercise established that the Final Salary Pension Scheme had a funding deficit of £1.39m as at 30 September 2012. This deficit was recognised in the financial statements at 30 September 2012. A similar exercise has been carried out at 30 September 2013 resulting in an increased deficit of £1.462 million as reported in Note 27 of the financial statements.

Operating Deficit

The operating surplus before investment gains amounted to £508,943 for the 12 month period to 30 September 2013, of which £388,182 and £120,761 have been credited to unrestricted and restricted fund reserves respectively. Following transfers between funds the Group has total funds of £9,831,319 of which £9,649,559 is unrestricted.

Capital developments

During the year under review the Fund has taken possession of two new properties in Glasgow and Inverness.

The Cameronian Regimental Association gifted a property in Glasgow with an assessed value of £200,000 to the charity. This property, which is due to become the offices for the charity's Glasgow-based team by the end of 2013, has been refurbished over the past few months at a cost of some £331,000.

The Inverness property has been leased for a period of ten years and has been converted at a cost of £89,385 to function as a centre to deliver advice, information and support services to the local armed forces community and the general public. More than half of this sum was met by the very generous contributions of £30,000 and £15,000 from The MacRobert and Ganochy Trusts respectively.

Liquidity

Despite capital additions of some £620,000 during the year, the Group has benefitted from a strong operating performance, underpinned to a certain extent by the generosity of supporting charitable organisations. As a result cash balances decreased by only £91,586 over the year leaving the company in a strong position financially with cash of £511,829 on deposit with the company's banks.

Investment policy and returns

The investment objective has been "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

**THE EARL HAIG FUND SCOTLAND
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REPORT OF THE TRUSTEES' (cont'd)

Investment Managers, have continued 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 12-month period under review the value of the portfolio has increased from £8.93m at 30 September 2012 to £10.051m. at 30 September 2013. £162,170 of this balance relates to the value as at 30 September of the portfolio gifted by The Sandilands Memorial Trust to The Earl Haig Fund Scotland on the winding up of the Trust in 2013, with the majority of the balance being due to unrealised gains on investments in large measure due to the coordinated decision of Central Banks to support global economic recovery by means of quantitative easing.

Against this backdrop and with a view to minimising volatility within the portfolio going forward, the Trustees have decided to review the asset allocation and to open a dialogue with the investment manager to re-balance the portfolio more evenly between equities and bonds over the next three years. Income generation remains an important investment objective, but the volatility of investment values over the last few years is both unsettling and potentially detrimental when planning to expand welfare provision for the charity's client base.

Reserves policy

The Trustees of The Earl Haig Fund Scotland 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 revised year 2 component of Poppyscotland's 5-year Operational Plan for 2012-17. Objectives which warrant highlighting in this report are as follows:

Welfare Services

Our strategic priorities for 2013/14 are:

- a. To continue to support individuals in financial need.
- b. To continue the enhancement of the Armed Services Advice Project and in collaboration with Citizens' Advice Scotland (CAS) extend it to other parts of Scotland.
- c. To build on the positive start for our information and advice service in Inverness and develop the range of services that it offers.
- d. To consolidate our employability services with a view to increasing their uptake.
- e. To continue to support organisations which deliver services in support of our client group.

**THE EARL HAIG FUND SCOTLAND
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REPORT OF THE TRUSTEES' (cont'd)

Welfare Services (cont'd)

- f. To continue to lead the Support Pillar of Veterans Scotland.
- g. To continue to work with our colleagues at The Royal British Legion in order that Poppyscotland can deliver a closely comparable welfare services model.
- h. To develop a robust and practical system to support veterans in the criminal justice system.
- i. To investigate the older peoples strategy agenda for Scotland with the purpose of identifying:
 - (1) service-delivery opportunities for meeting the needs of older veterans.
 - (2) relevant groupings/networks for raising awareness of Poppyscotland's services, as well as those of the other veterans' charity sector in Scotland, that support the needs of older veterans.

Fundraising

Our strategic priorities for 2013/14 are:

- a. To further increase the income obtained from The Scottish Poppy Appeal.
- c. To extend our Little Remembrance Cross initiative to a second location
- b. To increase the number of engagement opportunities available to supporters.
- d. To recruit increased numbers of Poppy Appeal volunteers.

Marketing

Our strategic priorities for 2013/14 are:

- a. To finalise our case for support and brand strategy.
- b. To develop further our social networks and increase digital engagement outwith the Poppy Appeal period.
- c. Further embed the "Unforgettable" theme across all our marketing output.
- d. Secure more retail locations during the Poppy Appeal period and generate increased sales, particularly outwith the Appeal.
- e. To maintain levels of media coverage despite the changing external environment, by generating compelling initiatives, identifying interesting case studies and securing credible celebrity endorsements.

Properties

Our strategic priorities for 2013/14 are:

- a. To progress the development of a long-term, comprehensive development solution for the New Haig site, including The Lady Haig Poppy Factory.
- b. To relocate to the new Glasgow office site by the end of February 2014.

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)**

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**

January 2014

**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 year ended 30 September 2013 which comprise the Group and Parent Charitable Company Statements of Financial Activities, incorporating the Group and Parent Charitable Company Income and Expenditure Accounts, the Group and Parent Charitable Company Balance Sheets, the Group and Parent Charitable Company Cash Flow Statement, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion 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 2013 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 year then ended;

**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 year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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

Date *24 January 2014*

Notes:

- a) The maintenance and integrity of the Earl Haig Fund Scotland (Poppyscotland) 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 12 months ended 30 September 2013
(incorporating an Income and Expenditure Account)

	Notes	2013 Unrestricted Funds £	2013 Restricted Funds £	2013 Total Funds £	18 month period 2012 Total Funds £
Incoming Resources					
<i>Incoming resources from generated funds</i>					
- Voluntary income	2(b)	3,320,483	18,626	3,339,109	3,212,335
- Activities for generating funds		182,673	-	182,673	573,660
- Investment income	3	382,320	-	382,320	555,298
<i>Incoming resources from charitable activities</i>					
- Merchandising income	4	244,799	-	244,799	317,634
- Employment services grant	5(b)	-	114,949	114,949	168,688
- Other grants	5	380,822	127,850	508,672	262,704
- Rental and service income	6	9,200	-	9,200	31,013
<i>Other incoming resources</i>					
- Net gain on disposal of fixed assets		3,652	-	3,652	519
		1,975	-	1,975	274
Total incoming resources		4,525,924	261,425	4,787,349	5,122,125
Resources expended					
<i>Cost of generating funds</i>					
Costs of generating voluntary income ⁷		1,454,607	-	1,454,607	2,029,054
		1,454,607	-	1,454,607	2,029,054
<i>Charitable activities</i>					
Continuing activities -					
- Costs of activities in furtherance of the charity's objectives					
- Manufacturing costs	8	643,115	127,814	770,929	1,151,002
- Grants paid	9(b)	1,382,224	-	1,382,224	2,368,938
- Benevolence support costs	10	552,368	12,850	565,218	543,229
		2,577,707	140,664	2,718,371	4,063,169
Governance costs	11	105,428	-	105,428	136,158
Other resources expended	14	-	-	-	169,938
Total resources expended		4,137,742	140,664	4,278,406	6,398,319
Net incoming/(outgoing) resources before investment gains/(losses) and transfers		388,182	120,761	508,943	(1,276,194)
Transfers between funds		1,875	(1,875)	-	-
(Losses)/gains on investments	23				
Realised		-	-	-	(79)
Unrealised		932,549	-	932,549	(305,853)
Actuarial gain/(loss) on defined benefit pension scheme	27	4,000	-	4,000	(1,348,000)
Net movement in funds		1,326,606	118,886	1,445,492	(2,930,126)
Total funds brought forward	23	8,322,953	62,874	8,385,827	11,315,953
Total funds at end of period	23	9,649,559	181,760	9,831,319	8,385,827

All amounts relate to continuing operations. There is no material difference between the surplus on ordinary activities and the surplus for the financial year stated above and their historical costs equivalents. All gains and losses recognised in the period are included above. The surplus for the 12 months to 30 September 2013 for Companies Act purposes comprises the net outgoing resources for the period, exceptional items and realised gains on investments and amounts to £508,943 (18 months to 30 September 2012: Deficit £1,276,273).

The notes on pages 25 to 39 form part of the financial statements

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

Company Statement of Financial Activities for the 12 months ended 30 September 2013
(incorporating an Income and Expenditure Account)

	Notes	2013 Unrestricted Funds £	2013 Restricted Funds £	2013 Total Funds £	18 month period 2012 Total Funds £
Incoming Resources					
<i>Incoming resources from generated funds</i>					
- Voluntary income	2(a)	3,320,483	-	3,320,483	3,197,332
- Activities for generating funds		182,673	-	182,673	573,660
- Investment income	3	382,283	-	382,283	555,203
<i>Incoming resources from charitable activities</i>					
- Voluntary income	5(a)	380,822	127,850	508,672	262,704
- Rental and service income	6	9,200	-	9,200	31,013
<i>Other incoming resources</i>					
- Net gain on disposal of fixed assets		1,975	-	1,975	-
Total incoming resources		4,277,436	127,850	4,405,286	4,619,912
Resources expended					
<i>Cost of generating funds</i>					
Cost of generating voluntary income	7	1,979,144	-	1,979,144	2,724,574
		1,979,144	-	1,979,144	2,724,574
<i>Charitable activities</i>					
Costs of activities in furtherance of the charity's objectives					
Continuing activities					
- Grants paid	9(a)	1,382,224	-	1,382,224	2,372,268
- Benevolence support costs	10	552,368	12,850	565,218	543,229
		1,934,592	12,850	1,947,442	2,915,497
<i>Governance costs</i>	11	96,429	-	96,429	133,774
<i>Other resources expended</i>	14		-	-	161,939
Total resources expended		4,010,165	12,850	4,023,015	5,935,784
Net incoming/(outgoing) resources before Investment gains/(losses) and transfers		267,271	115,000	382,271	(1,315,872)
Transfers between funds		1,875	(1,875)	-	-
Losses/(gains) on investments	23				
Realised		-	-	-	(79)
Unrealised		932,549	-	932,549	(305,853)
Actuarial gain/(loss) on defined benefit pension scheme	27	4,000	-	4,000	(1,348,000)
Net movement in funds		1,205,695	113,125	1,318,820	(2,969,804)
Total funds brought forward	23	7,867,718	5,040	7,872,758	10,842,562
Total funds at end of period	23	9,073,413	118,165	9,191,578	7,872,758

All amounts relate to continuing operations. There is no material difference between the surplus on ordinary activities and the surplus for the financial year stated above and their historical costs equivalents. All gains and losses recognised in the period are included above. The surplus for the 12 months to 30 September 2013 for Companies Act purposes comprises the net outgoing resources, exceptional items and realised gains on investments and amounts to £382,271 (18 months to 30 September 2012: Deficit £1,315,951).


The notes on pages 25 to 39 form part of the financial statements

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

Consolidated and Company Balance Sheets
As at 30 September 2013

	Notes	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Fixed Assets					
Tangible assets	17	716,901	107,006	716,901	107,006
Investment in subsidiary	18	-	-	1,000	1,000
Investments	19	10,051,001	8,930,043	10,051,001	8,930,043
		<u>10,767,902</u>	<u>9,037,049</u>	<u>10,768,902</u>	<u>9,038,049</u>
Current Assets					
Stock	20	393,946	274,524	-	-
Debtors	21	285,240	315,538	212,849	248,879
Cash at bank		511,829	603,415	405,805	545,395
		<u>1,191,015</u>	<u>1,193,477</u>	<u>618,654</u>	<u>794,274</u>
Creditors: amounts falling due within one year	22	<u>665,598</u>	<u>454,699</u>	<u>733,978</u>	<u>569,565</u>
Net current assets		<u>525,417</u>	<u>738,778</u>	<u>(115,324)</u>	<u>224,709</u>
Total assets less total liabilities		<u>11,293,319</u>	<u>9,775,827</u>	<u>10,653,578</u>	<u>9,262,758</u>
Defined benefit pension scheme liability		<u>(1,462,000)</u>	<u>(1,390,000)</u>	<u>(1,462,000)</u>	<u>(1,390,000)</u>
Net assets including pension liability		<u>9,831,319</u>	<u>8,385,827</u>	<u>9,191,578</u>	<u>7,872,758</u>
Funds					
Restricted funds	23	<u>181,760</u>	<u>62,874</u>	<u>118,165</u>	<u>5,040</u>
Unrestricted Funds					
Designated reserve		161,613	-	161,613	-
Capital reserve		200,000	-	200,000	-
General fund		10,749,946	9,712,953	10,173,800	9,257,718
		<u>11,111,559</u>	<u>9,712,953</u>	<u>10,535,413</u>	<u>9,257,718</u>
Unrestricted funds excluding pension liability		<u>11,111,559</u>	<u>9,712,953</u>	<u>10,535,413</u>	<u>9,257,718</u>
Pension reserve		<u>(1,462,000)</u>	<u>(1,390,000)</u>	<u>(1,462,000)</u>	<u>(1,390,000)</u>
Total unrestricted funds		<u>9,649,559</u>	<u>8,322,953</u>	<u>9,073,413</u>	<u>7,867,718</u>
Total funds		<u>9,831,319</u>	<u>8,385,827</u>	<u>9,191,578</u>	<u>7,872,758</u>

The financial statements on pages 21 to 24 were approved by the Trustees and signed on their behalf by:-


C Simpkin, Trustee

27/01/14
Date

Registered Company No: SC194893

The notes on pages 25 to 39 form part of the financial statements

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

CONSOLIDATED CASH FLOW STATEMENT
For the 12 months to 30 September 2013

	Notes	£	2013 £	£	2012 £
Cash inflow/(outflow) from operating activities	25(a)		170,677		(1,650,604)
Returns on investments					
Income from listed investments		371,314		536,588	
Bank interest received		11,006		18,710	
		<hr/>		<hr/>	
Net cash inflow for returns on investments			382,320		555,298
Capital expenditure and financial investment					
Payments to acquire fixed assets		(620,472)		-	
Receipts from disposal of fixed assets		1,975		-	
Payments to acquire investments		(26,086)		(210,201)	
Receipts from disposal of investments		-		189,508	
		<hr/>		<hr/>	
Net cash outflow for capital expenditure and investments			644,583		20,693
Decrease in cash	25(b)		<hr/> 91,586 <hr/>		<hr/> 1,115,999 <hr/>

The notes on pages 25 to 39 form part of the financial statements

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
For the 12 months ended 30 September 2013**

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 and Donations

Legacies and donations 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 12 months ended 30 September 2013**

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
Leased property	-	Period of lease
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) Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments, which may be disposed of without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

o) 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.

p) 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.

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013**

q) 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.

	2013	18 month period 2012
	£	£
2. Voluntary Income		
a) The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
Poppy Collection	2,611,080	2,889,383
Donations	265,597	151,870
Legacies	443,806	124,079
	<hr/>	<hr/>
	3,320,483	3,165,332
<u>Restricted</u>		
Grant	-	32,000
	<hr/>	<hr/>
Company	3,320,483	3,197,332
b) The Lady Haig Poppy Factory		
<u>Unrestricted</u>		
Legacies	-	200
<u>Restricted</u>		
Donations	18,583	14,803
Legacies	43	-
	<hr/>	<hr/>
Group	3,339,109	3,212,335
	<hr/> <hr/>	<hr/> <hr/>

The total number of poppies distributed on behalf of the Scottish Poppy Appeal in the 12 months to 30 September 2013 was 4,066,950 (18 months to September 2012: 4,823,500).

3. Investment Income

The Earl Haig Fund Scotland

Unrestricted

 Income from listed investments

355,178

515,312

 Income from deposit interest

10,970

18,575

 Investment management fee rebate

16,135

21,276

382,283

555,163

Restricted

 Income from deposit interest

-

40

Company

382,283

555,203

The Lady Haig Poppy Factory

37

95

Group

382,320

555,298

Investment income includes £3,339 of income received by the sub-fund established following the receipt of assets from The Sandilands Memorial Trust and is reflected in the Analysis of funds at Note 23.

4. Merchandising Income

Sales are stated net of VAT.

244,799

317,634

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013

	2013	18 month
	£	period
		2012
		£
5. Incoming resources for charitable activities		
(a) The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
The Sandilands Memorial Trust	180,822	-
The Cameronian Regimental Association	200,000	-
	<hr/>	<hr/>
	380,822	-
<u>Restricted</u>		
The Officers Association Scotland	2,500	1,005
The MacRobert Trust	30,000	-
Seafarers UK	15,000	-
The Gannochy Trust	15,000	-
The Army Benevolent Fund	30,000	45,000
The RAF Benevolent Fund	25,000	50,000
The Robertson Trust	-	40,000
SSAFA Scottish Resources Committee	-	40,000
Elizabeth Finn Care	-	10,000
The Sandilands Memorial Trust	-	16,294
The Scottish Veterans Fund	-	5,870
The Maritime Charities Funding Group	-	40,000
	<hr/>	<hr/>
	117,500	248,169
The Royal British Legion	10,350	14,535
	<hr/>	<hr/>
Company	127,850	262,704
	<hr/> <hr/>	<hr/> <hr/>
(b) The Lady Haig Poppy Factory		
<u>Restricted</u>		
Jobcentre Plus	114,949	162,835
Welfare	-	5,853
	<hr/>	<hr/>
	114,949	168,688
	<hr/> <hr/>	<hr/> <hr/>
Group	242,799	431,392
	<hr/> <hr/>	<hr/> <hr/>

Further details referring to The Sandilands Memorial Trust are to be found at Note 23 and in the Trustees' Report

6. Rental Income

Rental income	9,200	15,800
Recharges to tenant charities for shared services	-	15,213
	<hr/>	<hr/>
	9,200	31,013
	<hr/> <hr/>	<hr/> <hr/>

The charity previously provided postage and photocopying facilities to The Royal British Legion Scotland, which were recharged at cost. Since September 2012 The Royal British Legion Scotland has made alternative arrangements for these services.

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013

	2013	18 month
	£	period
7. Costs of generating voluntary income		2012
		£
The Earl Haig Fund Scotland		
Salaries, national insurance and pension costs	687,407	791,482
Other supporting costs	767,200	1,189,918
Purchase of poppies and crosses	524,537	695,520
Merchandising costs	-	47,654
	<hr/>	<hr/>
Company	1,979,144	2,724,574
Deduct purchase of poppies and crosses from Lady Haig Poppy Factory	(524,537)	(695,520)
	<hr/>	<hr/>
Group	1,454,607	2,029,054
	<hr/> <hr/>	<hr/> <hr/>

The distribution and sale of poppy related merchandise is now carried out on a subcontracted basis from which Poppyscotland receives a commission based on the value of total sales.

8. Manufacturing costs

Salaries, national insurance and pension costs	667,219	968,700
Materials consumed	137,722	183,877
Increase in finished goods	(131,061)	(170,739)
Operating expenses	85,684	136,971
Welfare	11,365	32,193
	<hr/>	<hr/>
	770,929	1,151,002
	<hr/> <hr/>	<hr/> <hr/>

Analysed as follows:-

Unrestricted activities	643,115	950,121
Restricted activities	127,814	200,881
	<hr/>	<hr/>
	770,929	1,151,002
	<hr/> <hr/>	<hr/> <hr/>

9. Benevolence Grants

a) Company

(i) Individuals

Annual review cases

	No.	No.
At 1 October 2012	150	202
Additions	-	12
Withdrawals	(22)	(64)
	<hr/>	<hr/>

At 30 September 2013	128	150
	<hr/>	<hr/>

Individual cases	1,371	1,795
	<hr/>	<hr/>

Annual Pension Grants to ex-Factory employees	21	19
	<hr/>	<hr/>

Unrestricted

Individual cases	592,790	806,710
Annual review cases	168,575	331,015
Annual Pension Grant to ex-Factory employees	9,638	13,502
	<hr/>	<hr/>
	771,003	1,151,227

Restricted

Sandilands Memorial Trust	-	16,294
	<hr/>	<hr/>

At 30 September 2013	771,003	1,167,521
	<hr/> <hr/>	<hr/> <hr/>

Grants to individuals includes a contribution of £21,255 made from funds received from The Sandilands Memorial Trust for the benefit of former members of The Royal Artillery based in Scotland and their dependants.

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013

	2013	18 month
	£	period
		2012
		£
(ii) Grants to other organisations		
The Royal British Legion Scotland	77,105	97,225
OA Scotland	52,467	89,357
Veterans Scotland	30,496	41,959
The Thistle Foundation	20,247	40,000
Ex-Services Mental Welfare Society – Scottish Activities	20,000	40,000
National Gulf Veterans	5,000	3,000
SSAFA Forces Help	11,887	12,318
The Mark Wright Project	9,628	15,000
Housing Options – Scotland	10,000	5,000
Miscellaneous	5,500	13,647
Citizens Advice Scotland	246,805	65,203
Horseback UK	24,912	-
The Regular Forces Employment Association	25,000	-
Sailors' Children Society	5,000	-
Music in Hospitals – Scotland	-	4,700
Haig Homes	-	15,000
Tayforth Veterans	-	6,197
William Simpson's Home	-	20,000
Citizens Advice Scotland (Restricted)	-	225,000
The 'Not Forgotten' Association	-	3,000
Scottish Veterans Garden City Association (Inc)	-	150,000
Scottish Veterans Residences	-	250,000
Gardening Leave	-	5,000
The Lady Haig Poppy Factory	-	6,739
	<hr/>	<hr/>
	544,097	1,108,343
	<hr/>	<hr/>
Accommodation grants	67,124	93,074
	<hr/>	<hr/>
Grants to other organisations		
Group and Company	611,221	1,201,417
	<hr/>	<hr/>
Total Company	1,382,224	2,368,938
	<hr/> <hr/>	<hr/> <hr/>
Analysed as follows:-		
Unrestricted activities	1,382,224	2,127,644
Restricted activities	-	241,294
	<hr/>	<hr/>
Total Group	1,382,224	2,368,938
	<hr/> <hr/>	<hr/> <hr/>
b) Total Group		
Analysed as follows:		
Unrestricted activities	1,382,224	1,964,809
Restricted activities	-	404,129
	<hr/>	<hr/>
	1,382,224	2,368,938
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013

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 at a notional value of £30,000 (18 months to 30 September 2012: £45,000):-

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

	2013	18 month period
	£	2012
		£
10. Benevolence support costs		
Salaries, national insurance and pension costs	394,316	422,136
Other supporting costs	170,902	115,223
Other supporting costs (restricted)	-	5,870
	<u>565,218</u>	<u>543,229</u>
11. Governance costs		
The Earl Haig Fund Scotland		
Trustee and Scottish Advisory Committee costs	70,829	120,984
Final salary pension consultancy fees	15,400	-
Auditor's remuneration	10,200	12,840
	<u>96,429</u>	<u>133,774</u>
a) Company		
The Lady Haig Poppy Factory		
Trustee costs	2,699	2,134
Auditor's remuneration	6,300	250
	<u>8,999</u>	<u>2,384</u>
b) Group	<u>105,428</u>	<u>136,158</u>

12. Allocation of general support and overhead costs

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

	Staff	General	Staff	General
	Costs	Overheads	Costs	Overheads
	2013	2013	2012	2012
	£	£	£	£
Generating funds	120,385	96,109	174,341	122,440
Charitable activities	100,125	43,319	142,164	51,845
Support to other organisations	72,495	63,130	115,372	103,024
Governance	46,035	9,992	70,785	14,567
	<u>339,040</u>	<u>212,550</u>	<u>502,662</u>	<u>291,876</u>

13. Staff costs

	2013	2012
	£	£
Manufacturing		
Wages and salaries	602,761	874,416
Social security costs	34,258	52,476
Other pension costs	28,254	39,490
	<u>659,873</u>	<u>966,382</u>

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013

	2013 £	18 month period 2012 £
Administration		
Wages and salaries	904,568	1,108,561
Social security costs	84,030	104,032
Other pension costs	124,834	156,302
	<hr/>	<hr/>
	1,113,432	1,368,895
	<hr/> <hr/>	<hr/> <hr/>
Group	1,773,305	2,335,277

Staff Numbers	No.	No.
The average monthly number of employees analysed by function was:-		
Manufacturing - full-time	42	43
Administration - full-time	32	26
- part-time	9	8
	<hr/>	<hr/>
	83	77
	<hr/>	<hr/>
- full-time	74	69
- part-time	9	8
	<hr/>	<hr/>
Group	83	77

During the 12 month period to 30 September 2013 and in accordance with the current 5 Year Plan, additional staff were recruited to enhance the potential and effectiveness of the fundraising and welfare teams.

One member of staff received emoluments in excess of £60,000 and pension contributions of £7,812 during the 12 month period to 30 September 2013 (2012: one).

No trustee was reimbursed for expenses from the company during the period (2012: Nil).

14. Other resources expended

<u>Poppyscotland</u>		
Costs incurred in pursuing merger talks with The Royal British Legion	-	11,484
Depreciation	-	150,455
	<hr/>	<hr/>
Company	-	161,939
<u>The Lady Haig Poppy Factory</u>		
Depreciation	-	7,999
	<hr/>	<hr/>
Group	-	169,938

Costs of £423,829 were incurred in the 18 month period to 30 September 2012 as a result of The Earl Haig Fund Scotland joining The Royal British Legion Group of charities in June 2011. The majority of these costs related to The Earl Haig Fund Scotland bringing its accounting policies, in respect of stock and depreciation, into line with those of The Royal British Legion.

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 £382,271 (18 months to September 2012: £1,315,951).

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
As at 30 September 2013**

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

Group and Charity

	Property Heritable £	Property Leased £	2013 Total £
Cost			
At 1 October 2012	164,760	-	164,760
Additions	531,086	89,386	620,472
	<u>695,846</u>	<u>89,386</u>	<u>785,232</u>
At 30 September 2013			
Depreciation			
At 1 October 2012	57,754	-	57,754
Charge for period	6,108	4,469	10,577
	<u>63,862</u>	<u>4,469</u>	<u>68,331</u>
At 30 September 2013			
Net Book Value			
At 30 September 2013	<u>631,984</u>	<u>84,917</u>	<u>716,901</u>
Net Book Value			
At 30 September 2012	<u>107,006</u>	-	<u>107,006</u>

Included in heritable property is an amount of £26,554 (2012: same) in respect of land which has not been depreciated.

The additions reflect: additions to heritable and leased property and relate to:-

- the gift of the property in Glasgow by The Cameronian Regimental Association to the charity valued at £200,000 and subsequent refurbishing costs undertaken by the charity
- conversion costs relating to the leased property in Inverness.

18. Investment in subsidiary

	2013 £	2012 £
1,000 Ordinary Shares of £1 at cost	<u>1,000</u>	<u>1,000</u>

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.

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
As at 30 September 2013

19. Investments	2013	2012
	£	£
Market value of listed securities at 1 October 2012	8,930,043	9,215,282
Additions	188,409	210,201
Disposals	-	(189,587)
Unrealised gain/(loss during the period)	932,549	(305,853)
	<u>10,051,001</u>	<u>8,930,043</u>
Market value of listed securities at 30 September 2013		
The Earl Haig Fund Scotland	9,888,831	8,930,043
The Sandilands Memorial Trust	162,170	-
	<u>10,051,001</u>	<u>8,930,043</u>
Market value of listed securities at 30 September 2013		
Investment categories		
Bonds	1,483,267	1,542,942
Equities	6,914,205	6,088,180
Other	1,653,529	1,298,921
	<u>10,051,001</u>	<u>8,930,043</u>
Market value of listed securities at 30 September 2013		
Cost at 30 September: listed securities	<u>8,658,559</u>	<u>8,466,932</u>

20. Stock	Group 2013	Company 2013	Group 2012	Company 2012
	£	£	£	£
Finished goods	348,383	-	217,322	-
Work in progress	45,563	-	57,202	-
	<u>393,946</u>	<u>-</u>	<u>274,524</u>	<u>-</u>

21. Debtors	Group 2013	Company 2013	Group 2012	Company 2012
	£	£	£	£
The Royal British Legion	48,169	48,169	119,816	119,816
Other debtors and prepayments	237,071	164,680	195,722	129,063
	<u>285,240</u>	<u>212,849</u>	<u>315,538</u>	<u>248,879</u>

22. Creditors: Amounts falling due within one year	Group 2013	Company 2013	Group 2012	Company 2012
The Royal British Legion	18,340	18,340	-	-
The Lady Haig Poppy Factory	-	111,951	-	145,580
Grants payable	205,388	205,388	150,000	150,000
Other creditors and accrued charges	441,870	398,299	304,699	273,985
	<u>665,598</u>	<u>733,978</u>	<u>454,699</u>	<u>569,565</u>

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
As at 30 September 2013

	Group 2013 £	Company 2013 £	Group 2012 £	Company 2012 £
23. Funds				
a) Movement for the year				
Balance at 1 October 2012	8,385,827	7,872,758	11,315,953	10,842,562
Net outgoing resources before investment losses	508,943	382,271	(1,276,194)	(1,315,872)
Actuarial gain/(loss) – Final Salary Pension Scheme	4,000	4,000	(1,348,000)	(1,348,000)
Realised gains/(losses) on investments	-	-	(79)	(79)
Unrealised gains/(losses) on investments	932,549	932,549	(305,853)	(305,853)
Balance at 30 September 2013	9,831,319	9,191,578	8,385,827	7,872,758

	Balance at 1 October 2012 £	Income £	Expenditure £	Investment gains £	Transfer between 30 Funds £	Balance at September 2013 £
b) (i) Group						
Restricted Funds	62,874	261,425	(140,664)	-	(1,875)	181,760
Unrestricted Funds						
<u>Designated Funds</u>						
Sandilands Memorial Trust	-	180,822	(21,255)	2,046	-	161,613
Capital Reserve	-	200,000	-	-	-	200,000
General Fund	9,712,953	4,145,102	(4,040,487)	930,503	1,875	10,749,946
	9,712,953	4,525,924	(4,061,742)	932,549	1,875	11,111,559
Pension Reserve	(1,390,000)	-	(76,000)	4,000	-	(1,462,000)
Total unrestricted funds	8,322,953	4,525,924	(4,137,742)	936,549	1,875	9,649,559
Total Funds	8,385,827	4,787,349	(4,278,406)	936,549	-	9,831,319

	Balance at 1 October 2012 £	Income £	Expenditure £	Investment gains £	Transfer between 30 Fund £	Balance at September 2013 £
b) (ii) Company						
Restricted Funds	5,040	127,850	(12,850)	-	(1,875)	118,165
<u>Designated Funds</u>						
Sandilands Memorial Trust	-	180,822	(21,255)	2,046	-	161,613
Capital Reserve	-	200,000	-	-	-	200,000
General Fund	9,257,718	3,896,614	(3,912,910)	930,503	1,875	10,173,800
	9,257,718	4,277,436	(3,934,165)	932,549	1,875	10,535,413
Pension Reserve	(1,390,000)	-	(76,000)	4,000	-	(1,462,000)
Total unrestricted funds	7,867,718	4,277,436	(4,010,165)	936,549	1,875	9,073,413
Total funds	7,872,758	4,405,286	(4,023,015)	936,549	-	9,191,578

Designated Funds

Consist of the following sub-funds:-

The Sandilands Memorial Trust

Following the winding up of the Trust in 2013, the Trustees of The Sandilands Memorial Trust transferred all assets to The Earl Haig Fund Scotland with the expectation that capital and income arising from the transferred assets be applied for the support of ex-Royal Artillery personnel and their dependants. The value of the assets transferred amounted to £170,845 with the balance of £9,977 relating to pre-transfer grants to offset financial assistance provided to former members of The Royal Artillery based in Scotland prior to the winding-up of The Trust.

The Cameronian Regimental Association

This fund represents the value of the property at 9 Holyrood Crescent in Glasgow, which was gifted to The Earl Haig Fund Scotland by The Cameronian Regimental Association.

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

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013

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.

	2013 Designated Funds £	2013 Restricted Funds £	2013 General Funds £	2013 Total £
24. Analysis of Net Assets				
a) Group				
Fund balances are represented by:-				
Tangible fixed assets	-	-	716,901	716,901
Investments	162,170	-	9,888,831	10,051,001
Current assets	-	-	1,191,015	1,191,015
Current liabilities	-	(181,760)	(483,838)	(665,598)
Long-term liabilities	-	-	(1,462,000)	(1,462,000)
Total net assets at 30 September 2013	162,170	(181,760)	9,850,909	9,831,319

	Designated Funds £	Restricted Funds £	General Funds £	Total Funds £
24. Analysis of Net Assets				
b) Company				
Fund balances are represented by:-				
Tangible fixed assets	-	-	716,901	716,901
Investments	162,170	-	9,889,831	10,052,001
Current assets	-	118,165	500,489	618,654
Current liabilities	-	(5,040)	(728,938)	(733,978)
Long-term liabilities	-	-	(1,462,000)	(1,462,000)
Total net assets at 30 September 2013	162,170	113,125	8,916,283	9,191,578

25. Notes of the Cash Flow Statement

	2013 £	2012 £
a) Reconciliation of changes in resources to net cash flow from operating activities		
Net outgoing resources before exceptional items and investment gains	508,943	(1,276,194)
<u>Less:</u>		
Investment income	(382,320)	(555,298)
Investments transferred from The Sandilands Memorial Trust	(162,323)	-
Funds received on disposal of vehicles	(1,975)	-
	(37,675)	(1,831,492)
Increase in stocks	(119,422)	59,964
Decrease in debtors	30,298	94,841
Increase in creditors	210,899	71,151
Increase in long-term creditors	76,000	42,000
Depreciation	10,577	166,823
Net cash inflow/(outflow) from operating activities	170,677	(1,650,604)

**THE EARL HAIG FUND SCOTLAND
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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013**

25. Notes of the Cash Flow Statement (cont'd)

b) Analysis in changes in liquid assets

	At 30 September 2013 £	Cash flows £	At 1 October 2012 £
Cash at bank	511,829	(91,586)	603,415
	<u>511,829</u>	<u>(91,586)</u>	<u>603,415</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	12 months to September 2013 £	18 months to September 2012 £
Total incoming resources	906,600	1,201,061
Total resources expended	779,928	1,161,382
	<u>126,672</u>	<u>39,679</u>

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

Assets	684,312	544,783
Liabilities	(43,571)	(30,714)
Net Assets	<u>640,731</u>	<u>514,069</u>

Restricted funds including funds amounting to £26,487 held within the Welfare Fund 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 EARL HAIG FUND SCOTLAND
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NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013

Retirement Benefits (cont'd)

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.

Amounts recognised in the Statement of financial activities	12 months to 30 September 2013
<u>Analysis of amounts charged to net outgoing resources</u>	£ '000
Current Service cost	107
Interest on liabilities	213
Expected return on Fund assets	(165)
Employer contributions	<u>(79)</u>
Total decrease in net outgoing resources	76
Actuarial losses recognised over the 12 months period	(4)
Total decrease in net funds recognized at 30 September 2013	72
<u>Reconciliation to the Balance Sheet at 30 September 2013</u>	
Market value of assets	4,119
Present value of liabilities	5,581
Deficit in the Fund	1,462
<u>Analysis of changes in the value of fund liabilities over the year</u>	
Value of liabilities at 1 October 2012	5,334
Service cost	107
Interest cost	213
Member contributions	19
Benefits paid	(148)
Actuarial losses	56
Value of Liabilities at 30 September 2013	5,581
<u>Analysis of changes in the value of the fund assets over the year</u>	
Market value of assets at 1 October 2012	3,944
Expected return on fund assets	165
Actuarial gains/(losses)	60
Employer contributions	79
Member contributions	19
Benefits paid	(148)
Market value of assets at 30 September 2013	4,119
Gains/(Losses) arising on Stanplan F liabilities:	
Due to experience	(427)
% of liabilities	8%
Due to change of basis	371
% of liabilities	7%
Experience gains:	
Arising on Stanplan F assets	60
% of assets	1%

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 £934,000.

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NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the 12 months ended 30 September 2013

The total assets of The Earl Haig Fund Scotland – Stanplan F were transferred from Standard Life Investments Ltd to Hewitt Risk Management Services Limited during February and March 2013. Details of the allocation of assets held as at 30 September 2013 are shown below:

Asset Class	£ '000	%
Equities	3,393	82
Cash	196	5
LDI Funds	530	13
Total Assets	4,119	100

Total Assets for valuation purposes (unaudited) **£ 4,119,000**

Financial Assumptions	12 months to 30 September 2013
Discount Rate	4.50% pa
Retail prices index (RPI) inflation	3.10% pa
Consumer prices index (CPI) inflation	2.10% pa
Salary Increases	3.10% 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	1.80% pa
Rate of increase for deferred pensioners	2.10% pa
Expected return on assets	5.70% pa

Life expectancies at age 60	12 months ended	30/09/2013
	Males	Females
Current pensioner now aged 60 in 2013	28.9 years	31.9 years
Future pensioner now aged 40 in 2013	30.9 years	31.0 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.