



## **Annual Report and Group and Company Financial Statements for The Earl Haig Fund Scotland (trading as Poppyscotland) for the financial year ended 30 September 2014**

### **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; and
- Promoting the development of Veterans Scotland

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

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

**GROUP AND COMPANY ANNUAL REPORT and FINANCIAL STATEMENTS**

**For the year ended 30 September 2014**

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The Earl Haig Fund Scotland (trading as Poppyscotland) 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 Manager**

Major C Pelling

**Registered Office**

New Haig house,  
Logie Green Road,  
Edinburgh EH7 4HR

**Registered Company Number**

SC194893 (Scotland)

**Charity Registration Number**

SC014096

**Chartered Accountants and Statutory Auditor**

Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

**Legal advisor**

Gillespie Macandrew LLP  
5 Atholl Crescent  
Edinburgh EH3 8EJ

**Bankers**

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

**Investment advisers**

Sarasin and Partners  
Juxon House  
100 St Pauls Churchyard  
London EC4M 8BU

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**For the year ended 30 September 2014**

**CHIEF EXECUTIVE'S REPORT**

The year has been a purposeful and productive one for Poppyscotland (The Earl Haig Fund Scotland) in which the charity has sought to bed in and consolidate services and initiatives put in place in the previous reporting period as part of the 5-year plan put in place following our joining The Royal British Legion group of charities in 2011. Over the last 12 months we have, against the background of impending full withdrawal of United Kingdom forces in Afghanistan, sought to maintain our twofold objectives of bringing our welfare provision fully up to the level of that available elsewhere in the United Kingdom through the Legion, and realising more completely our full fundraising potential.

Our financial out-turns reflect a year in which, having budgeted for a deficit of £849k, our final performance was somewhat better, with our closing deficit amounting to £394k. The charity's income held up well; the Scottish Poppy Appeal, which accounts in most years for around two-thirds of our total income, raising £2.69m, an increase of almost 3% on our performance in 2013. This growth was most welcome in the current very difficult fundraising climate given that the economic situation has continued to be very fragile and both military and other charities have seen their incomes fall. A great many of our supporters have for some years now been receiving low or no pay awards, yet the cost of living has risen steadily over the same period. For our income from the appeal to have held up so well is therefore encouraging. Other fundraising streams performed well overall and we received a welcome input of £157k in legacies.

Our welfare work has, as Poppyscotland's very *raison d'être*, continued apace. After the expansion of our capacity reach and range of our services over the 2012/13 reporting period, the year has seen us focus on further developing and expanding awareness and service uptake among our beneficiaries. Our information and advice centre in Inverness has continued to attract great interest among collaborative charities and agencies in the north of Scotland and among the Armed Forces and veterans' community there generally. Service-use levels have increased steadily and the centre has, over the year, been the focus for a diverse range of events, ranging from a four-hour Radio 5 Live outside broadcast from the centre in April, to a visit by the Secretary of State for Scotland at the very close of the reporting period. We have occupied and are now well settled into Cameronian House, our new offices in the Kelvinbridge area of Glasgow, which were most generously donated to Poppyscotland by the Cameronians Regiment in 2012. We have made good progress in our aim of gradually developing these as a hub for charitable activity in support of veterans in the city and I am glad to be able to report that staff from Combat Stress and the Regular Forces Employment Association have joined us as our tenants, occupying offices and delivering services from Cameronian House. There remains capacity as yet unused in the building and we aim to attract further appropriate service deliverers in the coming months.

In other respects we have continued to offer and deliver an ever-widening range of services in support of our beneficiaries. The numbers using our three new employment services Employable (delivered for us by the Scottish Association for Mental Health), Lifeworks (delivered by Royal British Legion Industries) and our criminal record disclosure advice service (delivered through the Apex charity) have all seen good and growing levels of user uptake. Our Armed Services Advice Project collaboration with Citizens Advice Scotland has also now completed its fourth and highly successful year of operation. Its network has been expanded from an original 6 to 9 specialist offices, with one further such opening early in 2015. Though the '*Sorted!*' Employment consortium which Poppyscotland joined last year has had a more limited impact in Scotland than we had hoped, it is still in its infancy. Further time and effort should generate greater levels of use by beneficiaries seeking help in finding suitable employment through '*Sorted!*'. In contrast, there has been a marked increase in uptake for our Poppy Breaks service during the year.

The profile of the charity remains high and our marketing and communications staff have done much to maintain this. It has been a feature of recent years that though ex-service comradeship organisations have seen their memberships slowly but steadily decline, social media interaction by veterans, their dependents and members of the public interested in the cause of Armed Forces and veterans community welfare has absolutely mushroomed. Poppyscotland's Facebook membership alone stood at 147,000 at the year-end, an increase

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of nearly one-third since 2012/13 and a measure of the huge and active interest and support the charity enjoys among the Scottish public. This support has meant that we have been able to replace retiring Area Organisers of long-standing with keen and energetic new volunteers. Volunteers being the very lifeblood of the charity, we neither take this for granted nor underestimate their importance to our work.

More widely, we continue to engage willingly and actively in the work of Veterans Scotland, heading its Support Pillar and leading its working groups on Employment Grant-giving and Advice. The charity is also a member of the Confederation of British Service and Ex-Service Organisations and monitors closely and carefully United Kingdom and devolved policies with bearing on our beneficiaries.

More detailed reports on Poppyscotland's specific activities over the year follow this introduction and paint a picture of varied and wide-ranging work in all our areas of endeavour. They reflect the fact that the charity is going through a period in which it has invested heavily in new services and to increase our fundraising reach and capacity. None of our achievements over the year would however, have been possible without the support we receive from our many volunteers and supporters, most prominent among them being those from among the branches and membership of The Royal British Legion Scotland (Legion Scotland). I must reiterate and stress that, our volunteers are the charity's very lifeblood and our gratitude and appreciation for their support and hard work simply cannot be understated. I must also in conclusion record my appreciation of the hard work of our staff and my thanks for the support and guidance Poppyscotland has enjoyed from our President, Lieutenant General Sir Alistair Irwin, and the Scottish Advisory Committee to the Board of Trustees of The Royal British Legion, so ably and cordially chaired by Lieutenant Commander Graeme Alexander. Volunteers, supporters, staff and sage advisers – without them, I would have very little indeed to report upon.



**Ian M McGregor  
Chief Executive**

22 June 2015

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**For the year ended 30 September 2014**

**REPORT OF THE TRUSTEES**

The Trustees submit their annual report and audited consolidated financial statements for the year ended 30 September 2014. 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 a company 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 operating 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**

Responsibility for the day-to-day operations of Poppyscotland is delegated to the Chief Executive of Poppyscotland, supported by the management team and administrative staff. The Chief Executive has established a management structure for Poppyscotland to undertake the operational activities of Poppyscotland within a clearly defined decision-making and reporting structure. Operational integration with The Royal British Legion is achieved through his line management reports.

There are only two trustees: the corporate trustee (The Royal British Legion) and the appointed trustee Dr Chris Simpkins. In accordance with the company's Articles, the term of the appointed trustee cannot exceed 3 years. The appointed trustee is eligible for reappointment for a second and any number of subsequent terms and can be removed by the corporate trustee at any time. The corporate trustee is appointed for such period as the charitable company may determine. Given the current corporate structure, training for trustees is provided through The Royal British Legion.

The Chief Executive and the trustees are supported by the Scottish Advisory Committee. The purpose of the Scottish Advisory Committee is to develop recommendations to the Board of Trustees of The Royal British Legion for the Charity's policies in Scotland and to advise the Board as necessary on issues of relevance to Scottish veterans and beneficiaries. A member of the Board of Trustees of The Royal British Legion is also a member of the Scottish Advisory Committee. Meetings of the Scottish Advisory Committee take place quarterly.

**Objectives & Activities**

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 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

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at the time of the death of the member of the forces of the Crown or allied nursing services with whom they were connected;

The Earl Haig Fund Scotland will achieve these by:

- a. organising the annual Scottish Poppy Appeal;
- b. undertaking additional fundraising throughout the year;
- c. identifying and relieving need 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;
- d. providing sheltered employment through its wholly-owned subsidiary, The Lady Haig Poppy Factory; and
- e. assuming a leading role in the activity of Veterans Scotland

More specific objectives for the year ended 30 September 2014 were to

- a. continue to support individuals in financial need;
- b. in collaboration with Citizens' Advice Scotland (CAS), extend the Armed Services Advice Project to other parts of Scotland;
- c. build on the positive start for our information and advice service in Inverness and developing the range of services that it offers;
- d. increase uptake of our employment services;
- e. continue to support organisations delivering services to our client group and in particular, leading the Support Pillar of Veterans Scotland;
- f. investigate service-delivery opportunities to meet the needs of older veterans and raise awareness of our services to support the needs of older veterans;
- g. further increase Scottish Poppy Appeal income, extending our Little Remembrance Cross initiative to a second location;
- h. increase the number of engagement opportunities for supporters;
- i. recruit increased numbers of Poppy Appeal volunteers;
- j. finalise our case for support and brand strategy;
- k. promote Poppyscotland by developing further our social networks and increasing our digital engagement outwith the Poppy Appeal period;
- l. secure more retail locations during the Poppy Appeal period and generate increased sales.



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**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 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;
- observe the methods and principles in the charities SORP;
- 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.

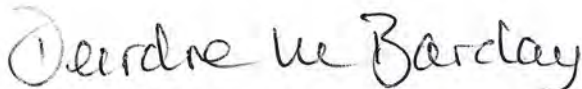
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements 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 in so 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.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website.

**BY ORDER OF THE BOARD**



**MRS D M BARCLAY  
Company Secretary**

22 June 2015



## **STRATEGIC REVIEW**

The overarching strategy of the charity is to meet its objects by

- gradually developing its welfare services to achieve the aim, adopted in 2011 on joining The Royal British Legion Group of charities, of equalising the beneficiary experience across the United Kingdom as measured against those services available from The Royal British Legion: and
- achieving the charity's fullest fundraising potential through a policy of 'saturation and penetration', (increasing giving opportunities and extending our reach to donors) augmented by exploiting fundraising opportunities arising from the charity's membership of the Legion Group.

## **Achievements and Performance**

### **Welfare Services**

The reporting period saw considerable progress in meeting our objectives and the key aim of relieving suffering, hardship and distress. Financial assistance and support totalled £2.17m (2013: £1.95m)

Assistance to individuals. In excess of £775k was spent directly on supporting more than 1,500 individuals across a wide-range of Welfare Services. These covered areas such as: direct financial assistance through our one-off and annual grants programmes; respite breaks delivered in partnership with The Royal British Legion; and employment services. Our employment services in turn encompassed the funding of training provision, a programme for veterans with mental health barriers to employment, and a vocational-assessment service to aid veterans with a criminal conviction in preparing for the job market. During the year 196 (2013:63) individuals undertook Poppy Breaks at Royal British Legion Break Centres or Family Breaks at Haven Holiday Parks, an increase of nearly 300% from the previous year.

We continue to work side by side with SSAFA's Scottish caseworkers and this partnership affords both resource efficiencies and integrity of process in providing grant support. We are indebted to the work and diligence of the many SSAFA volunteers who support us in this way.

Advice. On 30 June 2014 the Armed Services Advice Project (ASAP), our collaborative project with Citizens Advice Scotland, completed its fourth year of operation. The project, which provides advice and support directly tailored to the needs of Armed Forces veterans, continues to go from strength to strength. During the year its reach was further extended to take in Aberdeen and Aberdeenshire as well as Angus and Perth, with Dundee and Fife also benefitting from an increase in service provision. Over the 4 years of the project there have been a total of 5,292 ASAP individual clients seen. The client financial gain for the corresponding period has been in excess of £3.50m, a return of £3.42 for every £1 of funding for the project over the period.

During the reporting period, in its first full year of operation, Poppyscotland Inverness has received nearly 600 general enquiries, ranging from veterans in need of help to members of the public wishing to find out more about the charity. Its 3 welfare staff provided support and guidance to an additional 83 people seeking assistance with problems relating to their finances, housing, employment, health, benefits and debt, bringing the total number to 112 since opening in June 2013. The majority of those accessing support were aged between 25 and 59 and the drop-in service is proving popular, 76% of people making contact this way.

Employment. Our employability initiatives, established to help back into employment those veterans furthest detached from the workplace, continue to flourish. Uptake for all categories grew over the year. *Employ-Able*, delivered in partnership with the Scottish Association for Mental Health, helped 78 veterans during the year. Through our partnership with Royal

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British Legion Industries, 3 *LifeWorks* courses were run during the year, one of these being at Castle Huntly, Scotland's only open prison. We also continued, through our work with APEX Scotland, to assist veterans with a criminal record back into employment and Poppyscotland continues to participate in the Scottish Prison Service Veterans In-Reach Working Group. Employment Support Grants, our longest-established employment offering, continued to attract positive interest and over the year 42 grants were awarded. Over 65% of those receiving a grant achieved employment as a direct consequence of the training that we enabled them to undertake.

In September 2013 Poppyscotland was one of the partners at the launch of a newly-formed employment consortium called '*Sorted!*'. '*Sorted!*' is a consortium of charitable organisations within the field of employment, offering a combined service 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. £1.19m was applied to support charitable activities undertaken by other organisations delivering services supporting the Armed Forces community. Grants awarded included £25k to SACRO for their Veterans Mentoring Service, a further £10k to Housing Options Scotland for their Military Matters project, and £25k to the Regular Forces Employment Association towards the cost of running their employment service in support of vulnerable veterans.

Veterans Scotland. Poppyscotland continues to be a prominent member of Veterans Scotland, the overarching membership organisation for Scottish veterans charities. Veterans Scotland seeks to promote collaborative working, deconfliction of service provision and the exchange of information and Best practice between its member charities, splitting its activity into 4 general areas of activity known as 'pillars': Housing, Comradeship, Health and Wellbeing, and Support. Poppyscotland heads the Support Pillar, which primarily focuses on employment support, criminal justice matters, financial advice and support to individuals and to organisations, and the provision of more general lifeskills advice to veterans and their dependants. Poppyscotland was highly active in this role, chairing separate working groups on Employment, Grants to Individuals, Grants to Organisations, and Advice. In addition to giving financial support to Veterans Scotland, Poppyscotland also gave back-office support and provided office accommodation for Veterans Scotland in New Haig House.

Support to the Elderly. To progress improvements in support to older veterans, we entered into discussions with The Royal Voluntary Service (RVS) about reaching this group through their Customer Support services and identifying volunteering opportunities for veterans via the RVS service in areas such as driving, café and retail. In addition, we arranged for Poppyscotland to feature in Age Scotland's 2015 'Hot Tips' calendar. We also, together with the ASAP National Coordinator, worked with Age Scotland to ensure up to date information and signposting is provided by Age Scotland's helpline on support for Armed Forces community.

### **Fundraising**

During the year £3.23m (2013:£3.34m) was raised as voluntary income. The two main highlights were the Scottish Poppy Appeal and the extension of our Little Remembrance Cross initiative with regular giving (donor recruitment) making up the balance.

Scottish Poppy Appeal. Income from all sources to the Scottish Poppy Appeal raised £2.69m (2013: £2.77m) , a 2.94% increase over the previous year. A continuing area of success has been the number of corporate bodies supporting the Appeal, with 155 taking part in 2013/14, an increase of 13% on 2012/13. We continued to implement our Poppy Appeal strategy of saturation and penetration, increasing the range and reach of fundraising activity within the Poppy Appeal period.

Little Remembrance Crosses. For the third year we undertook the Little Remembrance Cross initiative. This mass-mailing to households raised £239k in gross income (2013:£288k), a 17% decrease on the previous year. However, we offset this reduction by introducing an additional mailing, *Everyman Remembered*, which raised £120k. In total therefore, our mailings achieved £359k.. We opened an second Field of Remembrance, in Inverness.

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13,000 crosses were planted in our Fields of Remembrance in Edinburgh and Inverness. We also raised £9k in our first 'Text to Give' campaign.

Donor Recruitment. We continued to develop and expand our individual-giving and donor-recruitment activities. The Poppyscotland raffle generated £165k (2013:£150k) over the period, an increase of 10.42% on the previous year. We increased the number of active donors by 17,732, meaning that at 30 September 2014 we had 115,516 (2013: 97,784) records on our database, 108,214 of whom were active donors. We continued to operate a rolling programme of regular-giving promotion, raising £99k (2013:£84k), an increase of 15.23% on last year. Finally we introduced a new database, ThankQ, and implemented a new Supporter Care policy.

Events and Community Activity. This year saw continued growth in our Events and Community activity. In total, £137k was raised, an increase of £40k (41.54%) on the previous year. We again increased our events portfolio and successfully introduced a new event, The East Lothian Cycling Sportive, which attracted 150 participants. Our drive to develop local support groups continued; these raised £79k. We achieved a 20% increase in the number of events available to supporters and increased supporter participation in runs and marathons by 40% (70 participants).

Education. Significant change in the education sector as a whole meant that this year, work was required to refresh our Education programme, *Sowing the Poppy seed*. Our 2014 pack was sent to 2,975 (2013:2,955) schools and educators across Scotland and, to link into the Global Citizenship targets within the Scottish National Curriculum, included a poster highlighting the different poppies and symbols worn around the world. There has been an increase in visits to the education section of the Poppyscotland website, without doubt stimulated by First World War Centenary commemorations. The total number of visits this year was 16,777 (2013; 15,922).

### **Volunteers**

The charity relies upon and greatly appreciates the efforts of its many volunteers across Scotland, especially the many members of The Royal British Legion Scotland who help with the annual Scottish Poppy Appeal. As part of our programme to encourage new volunteers to help us, we recruited a further 278 Poppy Appeal volunteers, exceeding the number standing down and thus protecting our collections for future years. We are also indebted to all of our very many supporters for their enthusiastic help outwith the Poppy Appeal. We are grateful in particular to the volunteers of SSAFA Forces Help for the casework they do which enables us to make our welfare awards. It is impossible to enumerate accurately their contribution during the year, but we estimated this year that volunteers contributed at least 60,000 hours to Poppyscotland, principally to support our fundraising and welfare casework.

### **Marketing and Communications**

Media Coverage. The 2013 Scottish Poppy Appeal achieved excellent media coverage. The press launch event was fronted by The Proclaimers singing duo and generated extensive broadcast and print coverage. Other activity generating similarly excellent coverage included Edinburgh Poppy Day, the Inverness launch, our two Fields of Remembrance, Poppy Saturday and the lighting in red of several iconic Scottish landmarks.. A photo-shoot with singer Susan Boyle and poppy collectors generated additional media interest towards the end of the Appeal. Our media profile outwith the Appeal period was also good, - and included a four-hour live broadcast by BBC Five Live radio from our Inverness Welfare Centre. Outside the Appeal period, our marketing and communications generated good levels of media and public response, including activity associated with the national Armed Forces Day event in Stirling in June and First World War commemorations.

Case for Support. Poppyscotland's case for support was published in July, refining our proposition, and in particular how we describe the varied collection of welfare services that we offer to the Armed Forces community. It broadly defines these within 7 areas: Tailored Support and Funding; Advice; Employment; Mobility; Respite; Housing; and Mental Health. This will enable us to communicate more consistently and allow us to market specific welfare services more effectively in the future. The case for support also contains an explanation of who is eligible for our support and why, the issues they are likely to face, the basis on which

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our services are founded and an explanation of our 7 areas of work. It also contains a breakdown of how members of the public can support us, as well as providing key statistics.

Social Media. Poppyscotland's social media profile underwent exceptional growth again over the year. Our Facebook following increased by 48%. Some 45,302 comments were left on our Facebook page during the year, a quarter outwith the Poppy Appeal period. This was an increase overall of 572% on 2012/13. Our total Facebook engagement (comments, likes and shares) increased by 290%. Beyond this, our YouTube channel had 55% more views and 70% more minutes of video watched than last year. Nearly two million minutes of Poppyscotland video footage were viewed over the year. A further 80,000 interactions were achieved on Twitter.

Retail Merchandising. Poppyscotland's retail merchandise activity grew significantly in 2013/14. Total net income from retail activities rose to £110k, up from £78k in 2012/13. We increased the number of temporary retail units (Poppy-Up shops) during the Appeal period from 5 in 2012 to 10 during the 2013 Appeal and expanded the product range considerably.

### **Properties**

A preliminary feasibility study for the future development of our Edinburgh site, including The Lady Haig Poppy Factory, has been drawn up and a decision regarding the way forward for the site is expected during 2015.

### **Poppy Manufacturing**

Poppies used by Poppyscotland during the Scottish Poppy Appeal are in the main manufactured by our subsidiary company, The Lady Haig Poppy Factory. Separate accounts are drawn up for the Factory and consolidated into Poppyscotland's group accounts. The Factory employs disabled veterans to make the poppies and the cost is higher than that achievable using automated manufacturing. The cost of poppies produced is a charitable activity in the accounts of the Factory and on consolidation, an amount representing the potential commercial cost of the poppies is transferred into the Cost of Generating Funds in Poppyscotland's accounts.

Manufacturing income and expenditure in the Poppy Factory arising from manufacturing poppies and wreaths increased during the 12 month period to £1.05m and £100k respectively (2013: £910k and £780k respectively) as a direct result of an increase in demand for poppies and wreaths during the annual Scottish Poppy Appeal and for other events commemorating the centenary of the start of the First World War.

### **Group Financial Review**

Incoming resources for the 12 month period to 30 September 2014 amounted to £4.32m (2013: £4.78m). The figure for 2013 included a major one-off gift from the Cameronians Regiment and several large legacies which were not repeated in 2014.

Voluntary income. The majority of the company's income came from The Scottish Poppy Appeal, held annually in November, which raised £2.69m (2013: £2.61m). This is equivalent to 62% of total incoming resources (55%) and reflects the continuing importance of the Appeal to the work of the charity. Other donations and income raised from various fundraising activities such as raffles, events, trusts and regular supporters amounted to £537k (2013: £629k), making a total voluntary income of £3,227k (2013: £3,339k)

Incoming resources from charitable activities. The Lady Haig Poppy Factory supported group activities with the production and distribution of poppies, wreaths and Remembrance Crosse. It contributed £386k to group income on a consolidated basis (2013: £380k).

A further £92k was provided by other charitable organisations in support of activities undertaken by The Earl Haig Fund Scotland and included the following principal contributors:-

The Army Benevolent Fund	£30k	
The Royal Navy & Royal Marines Trust	£15k	for the Armed Services Advice Project
SSAFA Scottish Resources Committee	£10k	
The Scottish Veterans Fund	£ 9k	for research into employment for veterans



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- a. A weakening of standards in the charity's management leading to inadequate budgetary control and financial reporting, and to poor investment policies or decisions;
- b. A failure to align management processes to meet the charity's objectives;
- c. Inadequate budget planning;
- d. An erosion of communication;
- e. Mismanagement of pension commitments and/or pension commitments generating excessive employer costs;
- f. Illicit penetration of IT systems.
- g. Major loss or damage to the charity's property;
- h. Estate dilapidation leading to a major breakdown.

Appropriate and robust measures to address these risks are in place and were noted and audited in the course of the risk assessment. The assessment also took full account of prevailing and prospective social, political, economic and demographic trends, amongst a range of other factors with bearing on the environment within which the charity operates.

### **Grant-Making Policy**

Grants are made to individuals in need following an assessment of the beneficiary's financial situation. These grants, in the form of cash, goods or services, are relatively small in value but large in volume. The charity's policy is also to direct beneficiaries to expert, personalised advice and support as an augmentation of or, if appropriate, instead of direct financial assistance, its aim being to promote longer-term self-reliance and resilience among its beneficiaries. Underlying this is however, a firm resolve and practice not to leave need unmet or fail to address immediate financial crises facing beneficiaries. To this end, whenever possible, Poppyscotland works collaboratively with the Service benevolent funds, Regimental Associations and other appropriate agencies in bringing financial and more general support to bear for individuals in need.

External grants to other organisations are applied where a third party has expertise or facilities unavailable within Poppyscotland's resources, or presents a project or service judged likely to bring firm benefit to our beneficiary group. In all such cases, the purpose proposed must be in accord with the charity's objectives. All grants are subject to a detailed and rigorous process of prior vetting and approval.

### **Investment policy and returns**

The investment objective is "to achieve a reasonable income return on capital and to provide capital and income growth in "real" terms over the long-term". The portfolio is managed by Sarasin and Partners LLP. During the 12-month period under review the portfolio generated £388k (2013: £382k) of investment income and the value of the portfolio has increased from £10.05m at 30 September 2013 to £10.48m at 30 September 2014.

### **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 welfare services as required by the company's Memorandum of Association. At the year end, excluding restricted and designated reserves, the charity held unrestricted reserves of £8.57m (2013:£9,851), representing around 2 years of unrestricted expenditure. These are maintained to generate income to meet a proportion of the charity's running costs and to cover any major and unavoidable drop in income which might arise from, for example, unusually severe weather during the Poppy Appeal period, the Appeal generally accounting for two-thirds of the charity's income annually.

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

The Trustees also recognise that the charity's facilities in Edinburgh require renewal. The Poppy Factory in particular is no longer fit for purpose. As reported above, during the year, proposals have been put together covering a number of options. It is likely whichever is chosen will require a significant investment out of reserves. The Trustees will consider further the reserves policy, and the appropriate level to hold thereof, once a decision has been made on the likely investment required.

**Plans for Future Periods**

Our principal strategic priorities for 2014/15 are to:

- a. continue to support individuals in financial need;
- b. further increase Poppy Break service uptake;
- c. continue the enhancement of the Armed Services Advice Project in collaboration with Citizens' Advice Scotland;
- d. build on the positive start for our Welfare Centre in Inverness and develop the range of services that it offers;
- e. continue to lead the Support Pillar of Veterans Scotland;
- f. continue to work with our colleagues at The Royal British Legion in order that Poppyscotland can deliver a closely comparable welfare services model;
- g. investigate the older peoples strategy agenda for Scotland to
  - i. identify further service-delivery opportunities to meet the needs of older veterans.
  - ii. identify relevant networks and communication media for raising awareness of Poppyscotland's services to support the needs of older veterans.
- h. further increase income obtained from The Scottish Poppy Appeal and implement plans to strengthen the performance of less well-performing fundraising areas;
- i. increase our income generation from Events and Community activity;
- j. increase our income from major companies.
- k. review the Poppyscotland website and our digital fundraising activity.
- l. grow our retail activity further still, including more poppy-up shops during the Appeal period and develop our wholesale offering.
- m. progress the development of a long-term, comprehensive development solution for the New Haig site, including The Lady Haig Poppy Factory.

  
C Simpkins, Trustee

22 June 2015

Date



**THE EARL HAIG FUND SCOTLAND  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE  
EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)**

We have audited the financial statements of The Earl Haig Fund Scotland for the year ended 30 September 2014 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 Cash Flow Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of trustees and auditor**

As explained more fully in the 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.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and 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 2014 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent's income and expenditure, for the year then ended;

**THE EARL HAIG FUND SCOTLAND  
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- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of 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).

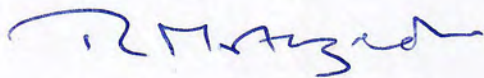
**Opinion on other matter prescribed by the Companies Act 2006**

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) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records 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.



**Reza Motazed FCA** (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

23 June 2015

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

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

**Consolidated Statement of Financial Activities for the 12 months ended 30 September 2014**  
**(incorporating an Income and Expenditure Account)**

	Notes	2014 Unrestricted Funds £'000	2014 Restricted Funds £'000	2014 Total Funds £'000	2013 Total Funds £'000
<b>Incoming Resources</b>					
<i>Incoming resources from generated funds</i>					
- Voluntary income	2	3,212	15	3,227	3,339
- Activities for generating funds		202	-	202	183
- Investment income	3	388	-	388	382
<i>Incoming resources from charitable activities</i>					
- Manufacturing income	4	272	-	272	245
- Other grants income	5	18	189	207	623
<i>Other incoming resources</i>					
- Net gain on disposal of fixed assets	6	26	-	26	13
		1	-	1	2
<b>Total incoming resources</b>		<b>4,119</b>	<b>204</b>	<b>4,323</b>	<b>4,787</b>
<b>Resources expended</b>					
<i>Cost of generating funds</i>					
- Costs of generating voluntary income	7	1,651	-	1,651	1,737
<i>Charitable activities</i>					
-					
- Poppy Manufacturing costs	8	648	136	784	489
- Welfare Services	9	2,064	102	2,166	1,947
		2,712	238	2,950	2,436
<b>Governance costs</b>	10	116	-	116	105
<b>Total resources expended</b>		<b>4,479</b>	<b>238</b>	<b>4,717</b>	<b>4,278</b>
<b>Net (outgoing)/incoming resources before investment gains and transfers</b>		<b>(360)</b>	<b>(34)</b>	<b>(394)</b>	<b>509</b>
<b>Transfers between funds</b>		<b>34</b>	<b>(34)</b>	<b>-</b>	<b>-</b>
Gains on investments	17				
Unrealised		415	-	415	932
Actuarial (loss)/gain on defined benefit pension scheme	25	(325)	-	(325)	4
<b>Net movement in funds</b>		<b>(236)</b>	<b>(68)</b>	<b>(304)</b>	<b>1,445</b>
Total funds brought forward	21	9,650	182	9,832	8,387
<b>Total funds at end of period</b>	<b>21</b>	<b>9,414</b>	<b>114</b>	<b>9,528</b>	<b>9,832</b>

All amounts relate to continuing operations. There is no material difference between the deficit on ordinary activities and the deficit for the financial year stated above and their historical cost equivalents. All gains and losses recognised in the year are included above. The deficit for the 12 months to 30 September 2014 for Companies Act purposes comprises the net outgoing resources before investment gains and transfers for the period and realised gains on investments, and amounts to £394k (12 months to 30 September 2013: Surplus £509k).

The notes on pages 22 to 35 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 2014**  
**(incorporating an Income and Expenditure Account)**

	Notes	2014 Unrestricted Funds £'000	2014 Restricted Funds £'000	2014 Total Funds £'000	2013 Total Funds £'000
<b>Incoming Resources</b>					
<i>Incoming resources from generated funds</i>					
- Voluntary income	2(a)	3,212	-	3,212	3,320
- Activities for generating funds		202	-	202	183
- Investment income	3	388	-	388	382
<i>Incoming resources from charitable activities</i>					
- Voluntary income	5(a)	18	74	92	509
<b>Other incoming resources</b>	6	19	-	19	9
Net gain on disposal of fixed assets					2
<b>Total incoming resources</b>		<b>3,839</b>	<b>74</b>	<b>3,913</b>	<b>4,405</b>
<b>Resources expended</b>					
<i>Cost of generating funds</i>					
Cost of generating voluntary income	7	1,651	-	1,651	1,710
<i>Charitable activities</i>					
Welfare Services	9	2,501	102	2,603	2,217
<b>Governance costs</b>	10	111	-	111	96
<b>Total resources expended</b>		<b>4,263</b>	<b>102</b>	<b>4,365</b>	<b>4,023</b>
<b>Net (outgoing)/incoming resources before investment gains and transfers</b>		<b>(424)</b>	<b>(28)</b>	<b>(452)</b>	<b>382</b>
Gains on investments					
Unrealised	17	415	-	415	932
Actuarial (loss)/gain on defined benefit pension scheme	25	(325)	-	(325)	4
<b>Net movement in funds</b>		<b>(334)</b>	<b>(28)</b>	<b>(362)</b>	<b>1,318</b>
Total funds brought forward	21	9,074	118	9,192	7,874
<b>Total funds at end of period</b>	<b>21</b>	<b>8,740</b>	<b>90</b>	<b>8,830</b>	<b>9,192</b>

All amounts relate to continuing operations. There is no material difference between the deficit on ordinary activities and the deficit for the financial year stated above and their historical cost equivalents. All gains and losses recognised in the year are included above. The deficit for the 12 months to 30 September 2014 for Companies Act purposes comprises the net outgoing resources before investment gains and transfers and realised gains on investments and amounts to £452k (12 months to 30 September 2013: Surplus £382k).

The notes on pages 22 to 35 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 2014**

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
<b>Fixed Assets</b>					
Tangible assets	15	759	717	759	717
Investment in subsidiary	16	-	-	1	1
Investments	17	10,481	10,051	10,481	10,051
		<u>11,240</u>	<u>10,768</u>	<u>11,241</u>	<u>10,769</u>
<b>Current Assets</b>					
Stock	18	245	394	-	-
Debtors	19	435	285	355	213
Cash at bank	23	646	513	591	406
		<u>1,326</u>	<u>1,192</u>	<u>946</u>	<u>619</u>
<b>Creditors: amounts falling due within one year</b>	20	(1,250)	(666)	(1,569)	(734)
<b>Net current assets/(liabilities)</b>		<u>76</u>	<u>526</u>	<u>(623)</u>	<u>(115)</u>
<b>Total assets less total liabilities</b>		<u>11,316</u>	<u>11,294</u>	<u>10,618</u>	<u>10,654</u>
<b>Defined benefit pension scheme liability</b>	25	(1,788)	(1,462)	(1,788)	(1,462)
<b>Net assets including pension liability</b>		<u>9,528</u>	<u>9,832</u>	<u>8,830</u>	<u>9,192</u>
<b>Funds</b>					
	21				
<b>Restricted funds</b>		114	182	90	118
<b>Unrestricted Funds</b>					
Sandilands Memorial Trust		151	162	151	162
Capital reserve		694	200	694	200
Investment reserve		1,778	1,382	1,778	1,382
General fund		8,579	9,368	7,905	8,792
		<u>11,201</u>	<u>11,112</u>	<u>10,528</u>	<u>10,536</u>
<b>Unrestricted funds excluding pension liability</b>		<u>11,201</u>	<u>11,112</u>	<u>10,528</u>	<u>10,536</u>
Pension reserve		(1,788)	(1,462)	(1,788)	(1,462)
<b>Total unrestricted funds</b>		<u>9,414</u>	<u>9,650</u>	<u>8,740</u>	<u>9,074</u>
<b>Total funds</b>		<u>9,528</u>	<u>9,832</u>	<u>8,830</u>	<u>9,192</u>

The financial statements on pages 18 to 20 were approved by the Trustees, authorised for issue and signed on their behalf by:-

  
 C Simpkins, Trustee

22 June 2015  
 Date

Registered Company No: SC194893

The notes on pages 22 to 35 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 2014**

	Notes	£	2014 £	£	2013 £
<b>Cash (outflow)/inflow from operating activities</b>	24(a)		(172)		171
<b>Returns on investments</b>					
Income from listed investments		382		371	
Bank interest received		6		11	
		-----		-----	
<b>Net cash inflow from returns on investments</b>			388		382
<b>Capital expenditure and financial investment</b>					
Payments to acquire fixed assets		(68)		(620)	
Receipts from disposal of fixed assets		1		2	
Payments to acquire investments		(217)		(26)	
Receipts from disposal of investments		201		-	
		-----		-----	
<b>Net cash outflow from capital expenditure and financial investments</b>			(83)		(644)
			-----		-----
<b>Increase/(Decrease) in cash</b>	24(b)		<b>133</b>		<b>(91)</b>
			=====		=====

The notes on pages 22 to 35 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 2014**

**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, Companies Act 2006 and applicable United Kingdom 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 (see page [18]) and accruals concept and are intended to provide information that is relevant, reliable, comparable and understandable.

**b) Group Financial Statements**

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. Uniform accounting policies are adopted and intra-group transactions are eliminated on consolidation.

**c) Company Status**

The company is a company limited by guarantee. 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**

Indirect general support and overhead costs as scheduled in Note 11 of the financial statements have been allocated across the core functions on the basis of staff numbers within the respective functions of resources expended



**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 2014**

**1. Accounting Policies (cont'd.)**

**j) Tangible Fixed Assets and Depreciation**

Capital purchases equal to or greater than £50,000 are capitalised. 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 – 5 years

Capital grants (when received) 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.

**k) 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.

**l) 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 an allocation of general overheads. Poppyscotland recognises that the Lady Haig Poppy Factory is a supported business with at least 50% of the work force registered as disabled resulting in additional costs being incurred in order to provide a caring and appropriate environment for the workforce.

Accordingly, a standard cost of product manufactured for Poppyscotland is allocated to “the cost of generating voluntary income” with the balance relating to the costs of providing a supportive working environment being allocated to “grants to other organisations” and expensed in the financial period during which stock is purchased.

Consequently, stock recorded as held by The Earl Haig Fund Scotland Group relates solely to stock held by its subsidiary, The Lady Haig Poppy Factory.

**m) 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.

**n) 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. 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 26 to the financial statements.

**o) Finance Lease Agreement**

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

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

**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 2014**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>2. Voluntary Income</b>		
a) The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
Poppy Collection	2,688	2,611
Donations	367	265
Legacies	157	444
	<hr/>	<hr/>
<b>Company</b>	<b>3,212</b>	<b>3,320</b>
b) The Lady Haig Poppy Factory		
<u>Restricted</u>		
Donations	15	19
	<hr/>	<hr/>
<b>Group</b>	<b>3,227</b>	<b>3,339</b>
	<hr/> <hr/>	<hr/> <hr/>
<p>The total number of poppies distributed on behalf of the Scottish Poppy Appeal in the 12 months to 30 September 2014 was 6,015,450 (12 months to September 2013: 4,066,950). The additional poppies sold relate to a timing change in the recognition of stock, whereby all poppies manufactured for the forthcoming annual Appeal are purchased by Poppyscotland prior to the end of the financial year.</p>		
<b>3. Investment Income</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
The Earl Haig Fund Scotland		
Income from listed investments	362	355
Income from deposit interest	7	11
Investment management fee rebate	19	16
	<hr/>	<hr/>
<b>Company and Group</b>	<b>388</b>	<b>382</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>4. Manufacturing Income</b>	<b>272</b>	<b>245</b>
Sales are stated net of VAT and relate only to the Lady Haig Poppy Factory	<hr/> <hr/>	<hr/> <hr/>
<b>5. Incoming resources from charitable activities</b>		
(a) The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
The Officers Association Scotland	2	-
The Sandilands Memorial Trust	16	181
The Cameronian Regimental Association	-	200
	<hr/>	<hr/>
<b>Group and Company Unrestricted</b>	<b>18</b>	<b>381</b>
	<hr/> <hr/>	<hr/> <hr/>
<u>Restricted</u>		
The Army Benevolent Fund	30	30
The Royal Navy Royal Marines Trusts	15	-
SSAFA Scottish Resources Committee	10	-
The Scottish Veterans Fund	19	-
The Officers Association Scotland	-	2
The MacRobert Trust	-	30
Seafarers UK	-	15
The Gannochy Trust	-	15
The RAF Benevolent Fund	-	25
	<hr/>	<hr/>
The Royal British Legion	74	117
	-	10
	<hr/>	<hr/>
<b>Company Restricted</b>	<b>74</b>	<b>127</b>
	<hr/> <hr/>	<hr/> <hr/>
(b) The Lady Haig Poppy Factory		
<u>Restricted</u>		
Jobcentre Plus Employment Services grant	115	115
	<hr/>	<hr/>
<b>Group Restricted</b>	<b>189</b>	<b>242</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total Group</b>	<b>207</b>	<b>623</b>

**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 2014**

	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>6. Other incoming resources</b>		
The Earl Haig Fund Scotland		
Rental income and service income	12	9
Gains on disposal of investments	7	-
	<hr/>	<hr/>
<b>Company</b>	<b>19</b>	<b>9</b>
The Lady Haig Poppy Factory		
Miscellaneous income	7	4
	<hr/>	<hr/>
<b>Group</b>	<b>26</b>	<b>13</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>7. Costs of generating voluntary income</b>		
The Earl Haig Fund Scotland		
<u>Direct costs</u>		
Salaries, national insurance and pension costs	580	567
Other supporting costs	575	645
Purchase of poppies and crosses from Lady Haig Poppy Factory	206	282
	<hr/>	<hr/>
	1,361	1,494
<u>Indirect costs</u> <span style="float: right;"><u>Note 11</u></span>		
Salaries, national insurance and pension costs	129	120
Other supporting costs	161	123
	<hr/>	<hr/>
	290	243
	<hr/>	<hr/>
<b>Group and Company</b>	<b>1,651</b>	<b>1,737</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>8. Manufacturing costs</b>		
Salaries, national insurance and pension costs	666	667
Materials consumed	78	138
Decrease/(Increase) in finished goods	157	(131)
Operating expenses	69	86
Welfare	20	11
	<hr/>	<hr/>
	990	771
Deduct purchase of poppies and crosses from Lady Haig Poppy Factory	(206)	(282)
	<hr/>	<hr/>
<b>Group and Company</b>	<b>784</b>	<b>489</b>
	<hr/> <hr/>	<hr/> <hr/>
Analysed as follows:-		
Unrestricted activities	854	643
Restricted activities	136	128
	<hr/>	<hr/>
	990	771
	<hr/> <hr/>	<hr/> <hr/>

**THE EARL HAIG FUND SCOTLAND**  
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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
**For the 12 months ended 30 September 2014**

<b>9. Welfare Services</b>	<b>2014</b>	<b>2013</b>
<b>a) Company</b>		
<b>(i) Individuals</b>		
<b>Annual review cases</b>	<b>No.</b>	<b>No.</b>
At 1 October	128	150
Additions	-	-
Withdrawals	(16)	(22)
	<hr/>	<hr/>
At 30 September	112	128
	<hr/>	<hr/>
<b>Individual cases</b>	<b>1,429</b>	<b>1,371</b>
	<hr/>	<hr/>
<b>Annual Pension Grants to ex-Factory employees</b>	<b>20</b>	<b>21</b>
	<hr/>	<hr/>
<b>Unrestricted</b>	<b>£'000</b>	<b>£'000</b>
Individual cases	621	593
Annual review cases	145	169
Annual Pension Grant to ex-Factory employees	9	9
At 30 September	<hr/>	<hr/>
<b>Grants to individuals</b>	<b>775</b>	<b>771</b>
	<hr/>	<hr/>

Grants to individuals includes a contribution of £16k 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 (see note 5a).

<b>9. Welfare Services (cont'd)</b>	<b>2014</b>	<b>2013</b>
<b>(a) (ii) Grants to other organisations</b>	<b>£'000</b>	<b>£'000</b>
<u>Direct costs</u>		
The Royal British Legion Scotland	77	77
OA Scotland	2	9
The Lady Haig Poppy Factory	448	269
Veterans Scotland	5	5
The Thistle Foundation	-	20
Ex-Services Mental Welfare Society – Scottish Activities	-	20
National Gulf Veterans	-	6
SSAFA Forces Help	7	12
The Mark Wright Project	-	10
Housing Options – Scotland	10	10
Miscellaneous	6	6
Citizens Advice Scotland	287	247
Horseback UK	-	25
The Regular Forces Employment Association	25	25
Sailors' Children Society	-	5
SACRO	25	-
SORTED!	8	-
Citizens Advice Scotland (Restricted)	95	-
Scottish Veterans Residences	25	-
Scottish Association for Mental Health	61	-
The Royal British Legion	2	-
	<hr/>	<hr/>
	1,083	745
	<hr/>	<hr/>
<u>Indirect costs</u>		
Salaries, national insurance and pension costs	67	72
Other supporting costs	42	63
	<hr/>	<hr/>
	109	135
	<hr/>	<hr/>
<b>Grants to other organisations</b>	<b>1,192</b>	<b>881</b>
	<hr/>	<hr/>

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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
**For the 12 months ended 30 September 2014**

**9. (b) Welfare support costs**

Direct costs

Salaries, national insurance and pension costs	339	294
Other supporting costs	130	128
Other supporting costs (restricted)	7	-

476 422

Indirect costs

Note 11

Salaries, national insurance and pension costs	107	100
Other supporting costs	53	43

160 143

**636 565**

**Total Welfare Costs**  
**Company**

2,603 2,217

Deduct grant towards production costs of Lady Haig Poppy Factory

(437) (270)

**Group**

**2,166 1,947**

Analysed as follows:-

Unrestricted activities	2,064	1,947
Restricted activities	102	-

**Group**

**2,166 1,947**

The Earl Haig Fund Scotland provides rent free accommodation to the following ex-Service charities located at New Haig House in Edinburgh and Cameronian House in Glasgow at a notional value of £30k (12 months to 30 September 2013: £30k):-

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

**2014**      **2013**  
**£'000**      **£'000**

**10. Governance costs**

The Earl Haig Fund Scotland

Direct costs

Trustee and Scottish Advisory Committee costs	10	15
Final salary pension consultancy fees	29	15
Auditor's remuneration	12	10

51 40

Indirect costs

Note 11

Salaries, national insurance and pension costs	49	46
General support and overhead costs	11	10

60 56

**a) Company**

111 96

The Lady Haig Poppy Factory

Trustee costs	1	3
Auditor's remuneration	4	6

5 9

**b) Group**

**116 105**

**THE EARL HAIG FUND SCOTLAND**  
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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
**For the 12 months ended 30 September 2014**

**11. 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.

	<b>Staff Costs 2014 £'000</b>	<b>General Overheads 2014 £'000</b>	<b>Staff Costs 2013 £'000</b>	<b>General Overheads 2013 £'000</b>
Generating funds	129	161	120	96
Charitable activities	107	53	100	43
Support to other organisations	67	42	72	63
Governance	49	11	46	10
	<b>352</b>	<b>267</b>	<b>338</b>	<b>212</b>

**12. Staff costs**

**Manufacturing**

	<b>2014 £'000</b>	<b>2013 £'000</b>
Wages and salaries	597	603
Social security costs	36	34
Other pension costs	31	28
	<b>664</b>	<b>665</b>

**Administration**

	<b>2014 £'000</b>	<b>2013 £'000</b>
Wages and salaries	1,007	904
Social security costs	92	84
Other pension costs	135	125
	<b>1,234</b>	<b>1,113</b>
<b>Group</b>	<b>1,898</b>	<b>1,778</b>

**Staff Numbers**

The average monthly number of employees analysed by function was:-

	<b>No.</b>	<b>No.</b>
Manufacturing - full-time	41	42
Administration - full-time	33	32
- part-time	2	9
	<b>76</b>	<b>83</b>
- full-time	74	74
- part-time	2	9
<b>Group</b>	<b>76</b>	<b>83</b>

One member of staff received emoluments in the range of £60k-£70k and pension contributions of £8,005 during the 12 month period to 30 September 2014 (2013: one).

No trustee was reimbursed for expenses or received remuneration from the company during the period (2013: Nil).

**13. Results of the Parent Company**

The parent company's deficit for the financial period was £458k (12 months to September 2013: Surplus £382).

**14. 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.

**THE EARL HAIG FUND SCOTLAND**  
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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
**For the 12 months ended 30 September 2014**

**15. Tangible Fixed Assets**

<b>Group and Company</b>	<b>Property Freehold £'000</b>	<b>Property Short Lease £'000</b>	<b>Information Technology £'000</b>	<b>2014 Total £000</b>
<b>Cost</b>				
At 1 October 2013	863	89	-	952
Additions	1	2	65	68
<b>At 30 September 2014</b>	<b>864</b>	<b>91</b>	<b>65</b>	<b>1,020</b>
<b>Depreciation</b>				
At 1 October 2013	231	4	-	235
Charge for period	17	9	-	26
<b>At 30 September 2014</b>	<b>248</b>	<b>13</b>	<b>-</b>	<b>261</b>
<b>Net Book Value</b>				
<b>At 30 September 2014</b>	<b>616</b>	<b>78</b>	<b>65</b>	<b>759</b>
Net Book Value				
At 30 September 2013	632	85	-	717

Included in Property Freehold is an amount of £26k (2013: £26k) in respect of land which has not been depreciated.

**16. Investment in subsidiary**

	<b>2014 £'000</b>	<b>2013 £'000</b>
1,000 Ordinary Shares of £1 at cost	<b>1</b>	<b>1</b>

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.

**17. Investments**

	<b>2014 £'000</b>	<b>2013 £'000</b>
Market value of listed securities at 1 October	10,051	8,930
Additions	217	188
Disposals	(202)	-
Unrealised gain during the period	415	933
<b>Market value of listed securities at 30 September</b>	<b>10,481</b>	<b>10,051</b>
The Earl Haig Fund Scotland	10,314	9,889
The Sandilands Memorial Trust	167	162
<b>Market value of listed securities at 30 September</b>	<b>10,481</b>	<b>10,051</b>



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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
**For the 12 months ended 30 September 2014**

			<b>2014</b>	<b>2013</b>
			<b>£'000</b>	<b>£'000</b>
Investment categories in UK:				
Bonds			1,784	1,483
Equities			6,630	6,914
Other			2,067	1,654
<b>Market value of listed securities at 30 September</b>			<b>10,481</b>	<b>10,051</b>
<b>Cost at 30 September: listed securities</b>			<b>8,703</b>	<b>8,659</b>
<b>Cost at 30 September</b>			<b>8,703</b>	<b>8,659</b>
<b>Revaluation reserve</b>			<b>1,778</b>	<b>1,392</b>
<b>Market Value at 30 September</b>			<b>10,481</b>	<b>10,051</b>
<b>18. Stock</b>	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finished goods	191	-	348	-
Work in progress	54	-	46	-
	<b>245</b>	<b>-</b>	<b>394</b>	<b>-</b>
<b>19. Debtors</b>				
The Royal British Legion	143	143	48	48
Other debtors and prepayments	292	212	237	165
	<b>435</b>	<b>355</b>	<b>285</b>	<b>213</b>
<b>20. Creditors: Amounts falling due within one year</b>				
The Royal British Legion	80	80	18	18
The Lady Haig Poppy Factory	-	360	-	112
The Royal Bank of Scotland short-term loan	602	602	-	-
Grants payable	238	238	205	206
Other creditors and accrued charges	330	289	442	398
	<b>1,250</b>	<b>1,569</b>	<b>665</b>	<b>734</b>
<b>21. Funds</b>	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
<b>a) Movement for the year</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 October	9,832	9,192	8,387	7,874
Net (outgoing)/incoming resources before investment losses	(394)	(452)	509	382
Actuarial (loss)/gain – Final Salary Pension Scheme	(325)	(325)	4	4
Unrealised gains on investments	415	415	932	932
<b>Balance at 30 September</b>	<b>9,528</b>	<b>8,830</b>	<b>9,832</b>	<b>9,192</b>

**THE EARL HAIG FUND SCOTLAND**  
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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
**For the 12 months ended 30 September 2014**

	Balance at 1 October 2013 £'000	Income £'000	Expenditure £'000	Investment gains/ (losses) £'000	Transfer between Funds £'000	Balance at 30 September 2014 £'000
<b>(i) Group</b>						
<b>Restricted Funds</b>	<b>182</b>	<b>204</b>	<b>(238)</b>	<b>-</b>	<b>(34)</b>	<b>114</b>
<b>Unrestricted Funds</b>						
Sandilands Memorial Trust	162	-	(16)	5	-	151
Capital Reserve	200	-	(26)	-	520	694
Investment revaluation reserve	1,382	-	-	396	-	1,778
General Fund	9,368	4,119	(4,437)	15	(486)	8,579
	-----	-----	-----	-----	-----	-----
	11,112	4,119	(4,479)	416	34	11,202
Pension Reserve	(1,462)	-	(1)	(325)	-	(1,788)
	-----	-----	-----	-----	-----	-----
<b>Total unrestricted funds</b>	<b>9,650</b>	<b>4,119</b>	<b>(4,480)</b>	<b>91</b>	<b>34</b>	<b>9,414</b>
	-----	-----	-----	-----	-----	-----
<b>Total Funds</b>	<b>9,832</b>	<b>4,323</b>	<b>(4,718)</b>	<b>91</b>	<b>-</b>	<b>9,528</b>
	=====	=====	=====	=====	=====	=====
	Balance at 1 October 2013	Income	Expenditure	Investment gains/ (losses)	Transfer between Fund	Balance at 30 September 2014
<b>b) (ii) Company</b>						
<b>Restricted Funds</b>	<b>118</b>	<b>74</b>	<b>(102)</b>	<b>-</b>	<b>-</b>	<b>90</b>
<b>Unrestricted Funds</b>						
Sandilands Memorial Trust	162	-	(16)	5	-	151
Capital Reserve	200	-	(26)	-	520	694
Investment revaluation reserve	1,382	-	-	396	-	1,778
General Fund	8,792	3,839	(4,220)	14	(520)	7,905
	-----	-----	-----	-----	-----	-----
	10,536	3,839	(4,262)	415	-	10,528
Pension Reserve	(1,462)	-	(1)	(325)	-	(1,788)
	-----	-----	-----	-----	-----	-----
<b>Total unrestricted funds</b>	<b>9,074</b>	<b>3,839</b>	<b>(4,263)</b>	<b>90</b>	<b>-</b>	<b>8,740</b>
	-----	-----	-----	-----	-----	-----
<b>Total funds</b>	<b>9,192</b>	<b>3,913</b>	<b>(4,365)</b>	<b>90</b>	<b>-</b>	<b>8,830</b>
	=====	=====	=====	=====	=====	=====

**21. Funds (cont'd)**

**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 Capital Reserve

The Capital Reserve represents the depreciated value of the owned and leased properties held by Poppyscotland.

**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

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

**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
**For the 12 months ended 30 September 2014**

**General Fund**

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

	2014 Designated Funds £'000	2014 Restricted Funds £'000	2014 General Funds £'000	2014 Total Funds £'000
<b>22. Analysis of Net Assets</b>				
<b>a) Group</b>				
Fund balances are represented by:-				
Capital reserve	694	-	65	759
Investments	150	-	10,331	10,481
Current assets	-	114	1,212	1,326
Current liabilities	-	-	(1,250)	(1,250)
Long-term liabilities	-	-	(1,788)	(1,788)
<b>Total net assets at 30 September 2014</b>	<b>844</b>	<b>114</b>	<b>8,570</b>	<b>9,528</b>

	Designated Funds £'000	Restricted Funds £'000	General Funds £'000	Total Funds £'000
<b>22. Analysis of Net Assets</b>				
<b>b) Company</b>				
Fund balances are represented by:-				
Capital reserve	694	-	65	759
Investments	150	-	10,332	10,482
Current assets	-	90	856	946
Current liabilities	-	-	(1,569)	(1,569)
Long-term liabilities	-	-	(1,788)	(1,788)
<b>Total net assets at 30 September 2014</b>	<b>844</b>	<b>90</b>	<b>7,896</b>	<b>8,830</b>

	2014 £'000	2013 £'000
<b>23. Notes of the Cash Flow Statement</b>		
<b>a) Reconciliation of changes in resources to net cash flow from operating activities</b>		
Net (outgoing)/incoming resources before exceptional items and investment gains	(394)	509
<u>Less:</u>		
Investment income	(388)	(382)
Investments transferred from The Sandilands Memorial Trust	-	(162)
Funds received on disposal of fixed assets	(1)	(2)
	(783)	(37)
Decrease/(Increase) in stocks	149	(119)
(Increase)/Decrease in debtors	(149)	30
Increase in creditors	584	211
Increase in long-term creditors	1	76
Depreciation	26	10
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(172)</b>	<b>171</b>

	At 30 September 2014 £'000	Cash flows £'000	At 1 October 2013 £'000
<b>23. Notes of the Cash Flow Statement (cont'd)</b>			
<b>b) Analysis in changes in liquid assets</b>			
Cash at bank	43	(469)	512
The Royal Bank of Scotland short-term loan	602	602	-
	645	133	512

**THE EARL HAIG FUND SCOTLAND  
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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
For the 12 months ended 30 September 2014**

**24. 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:-

<b>The Lady Haig Poppy Factory Limited</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Total incoming resources	1,052	907
Total resources expended	(995)	(780)
	<b>57</b>	<b>127</b>

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

Assets	738	684
Liabilities	(41)	(44)
Net Assets	<b>697</b>	<b>640</b>

Restricted funds including funds amounting to £23k held within the Welfare Fund are included in total net assets.

**25. Retirement Benefits**

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

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

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

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

The annual contribution paid into the Scheme is determined following discussion with the Scheme's actuaries and is intended to spread the cost of pensions over the anticipated service life of the employees participating in the Scheme. This contribution is currently based on 33.7% of gross pensionable salary and is expected to remain at this level for the foreseeable future.

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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**  
**For the 12 months ended 30 September 2014**

<b>Amounts recognised in the Statement of financial activities</b>	<b>12 months to 30 September 2014</b>	<b>12 months to 30 September 2013</b>
	<b>£ '000</b>	<b>£'000</b>
<u>Analysis of amounts charged to net outgoing resources</u>		
Current Service cost	101	107
Interest on liabilities	246	213
Expected return on Fund assets	(228)	(165)
Employer contributions	<u>(118)</u>	<u>(79)</u>
Total decrease in net outgoing resources	<u>1</u>	<u>76</u>
Actuarial losses/(gains) recognised over the 12 months period	325	(5)
Total decrease in net funds recognised at 30 September	<b><u>326</u></b>	<b><u>71</u></b>
<u>Reconciliation to the Balance Sheet at 30 September</u>		
Market value of assets	4,198	4,119
Present value of liabilities	<u>5,986</u>	<u>5,581</u>
Deficit in the Fund	<b><u>(1,788)</u></b>	<b><u>1,462</u></b>
<u>Analysis of changes in the value of fund liabilities over the year</u>		
Value of liabilities at 1 October	5,581	5,334
Service cost	101	107
Interest cost	246	213
Member contributions	16	19
Benefits paid	(361)	(148)
Actuarial losses	<u>403</u>	<u>56</u>
Value of Liabilities at 30 September	<b><u>5,986</u></b>	<b><u>5,581</u></b>
<u>Analysis of changes in the value of the fund assets over the year</u>		
Market value of assets at 1 October	4,119	3,944
Expected return on fund assets	228	165
Actuarial gains	78	60
Employer contributions	118	79
Member contributions	16	19
Benefits paid	<u>(361)</u>	<u>(148)</u>
Market value of assets at 30 September	<b><u>4,198</u></b>	<b><u>4,119</u></b>
Gains/(Losses) arising on Stanplan F liabilities:		
Due to experience	(427)	(427)
% of liabilities	7%	8%
Due to change of basis	371	371
% of liabilities	6%	7%
Experience gains:		
Arising on Stanplan F assets	60	60
% of assets	1%	1%

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

The cumulative amount of actuarial losses recognised (since 2011) is a cumulative loss of £1,259,000.

The assets of The Earl Haig Fund Scotland – Stanplan F are managed by Hewitt Risk Management Services Limited. Details of the allocation of assets held as at 30 September 2014 are shown below:

<b>Asset Class</b>	<b>£ '000</b>	<b>%</b>
Equities	3,464	82
Cash	73	2
Other assets	661	16
Total Assets	4,198	100

**Total Assets for valuation purposes**

**£ 4,198,000**

**THE EARL HAIG FUND SCOTLAND  
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**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
For the 12 months ended 30 September 2014**

**25. Retirement Benefits (cont'd)**

<b>Financial Assumptions</b>	<b>12 months to 30 September 2014</b>
Discount Rate	4.00% pa
Retail prices index (RPI) inflation	3.20% pa
Consumer prices index (CPI) inflation	2.20% pa
Salary Increases	3.20% 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	2.20% pa
Expected return on assets	5.00% pa

<b>Life expectancies</b>	<b>12 months ended 30 September 2014</b>		<b>12 months ended 30 September 2013</b>	
	<b>Years</b>		<b>Years</b>	
	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
Life expectancy for an individual aged 60	28.9	31.6	29.0	32.1
Life expectancy at aged 60 for an individual aged 40 in 2014	30.9	33.6	31.0	34.1

**26. 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. Advantages have been taken under FRS 8 to not disclose balances with or transactions between The Earl Haig Fund Scotland and The Royal British Legion.

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.