



**Annual Report and Group and Company
Financial Statements for The Earl Haig Fund
Scotland (Poppyscotland)**

Year ended 30 September 2016

Charity Registration Number SC014096

Registered Company Number SC194893 (Scotland)

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REPORT OF THE TRUSTEES (including the Strategic Report)

The Trustees submit their annual report, which incorporates a strategic report, and audited consolidated financial statements for the year ended 30 September 2016.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

MISSION

The Earl Haig Fund Scotland (trading as “Poppyscotland”) is a member of The Royal British Legion Group of charities supporting those in need who have served in the Armed Forces and their dependents 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.

OBJECTIVES AND ACTIVITIES

The Charity’s principal objectives are to relieve suffering, hardship and distress and to promote education:

- among persons, who have at any time served with any branch of the armed 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 dependents 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.

Our long-term strategy to deliver our objectives, is to:

- develop welfare services¹, such that the beneficiary experience across the United Kingdom is equal as measured against those services available from The Royal British Legion;
- develop sustainable levels of funding to provide that level of welfare provision, by increasing giving and extending fundraising opportunities as a result of the charity’s membership of the Royal British Legion Group;
- develop Poppyscotland’s infrastructure such that it is compliant with statutory requirements and fit for purpose in the delivery of both welfare and fundraising objectives; and
- provide education activities, which contribute to public awareness, understanding and support for our welfare services.

¹ Tailored Support and funding to individuals and organisations, advice, employment, mobility, housing, mental health and respite breaks

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For the year ended 30 September 2016 our specific goals were as follows:

- a. Welfare. To deliver life-changing support to members of our armed forces community by making grants of money and provision of non-financial services to members of our armed forces community in need and other Armed Forces charitable organisations;
- b. Employment. To provide supported employment to disabled veterans through our wholly-owned subsidiary, The Lady Haig Poppy Factory, and collaborate with other charitable organisations to deliver employability training;
- c. Fundraising. To organise the annual Scottish Poppy Appeal and undertake additional fundraising throughout the year; and
- d. Brand. To embed our new brand strategy across the organisation.

ACHIEVEMENTS AND PERFORMANCE

In the reporting period we achieved the following in the delivery of our goals for the year:

a. Welfare.

Delivered support to individuals in financial need:

Expenditure on financial assistance and support for the year totaled £2.503m (2015: £2.589m).

In excess of £695k was spent directly on supporting 1,336 individuals (2015: £762k 1,265) across a wide-range of Welfare Services, including direct financial assistance and the provision of respite breaks. Poppyscotland continues to work side by side with The Soldiers, Sailors, Airmen and Families Association-Forces Help (SSAFA) Scottish caseworkers and this partnership affords both resource efficiencies and integrity of process in providing grant support. We are indebted to the dedicated work and diligence of the many SSAFA volunteers who support us in this way.

There were 225 (2014/15: 215) individuals who enjoyed Poppy Breaks at The Royal British Legion Break Centres or Family Breaks at Haven Holiday Parks; exceeding the original planned allocation of 200 breaks for the year.

Delivery of welfare through partnerships:

Partnership working is at the heart of our welfare offering and we continued to grow our services in association with key partners such as SSAFA, Citizens Advice Scotland, Scottish Association for Mental Health and many other organisations.

During the year, a total of 17 grants at a cost of £1.096m (2015: 19 grants, £1.011m) were provided to support charitable activities by organisations delivering services supporting Scotland's Armed Forces Community. This includes grants to Citizens Advice Scotland for the delivery of the Armed Services Advice Project, the Scottish Association for Mental Health for the Employ-Able programme, and the Regular Forces Employment Association towards the cost of running their employment service. Grants were also awarded to assist with funding the work undertaken by organisations such as Combat Stress, Horseback UK, National Gulf

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Veterans and Families Association, Seafarers' Children's Society and Housing Options Scotland. We continued to work in the criminal justice area, funding SSAFA to deliver a specifically-designed course for their caseworkers on Veterans in the Criminal Justice System. Access to this training was also provided to advisers involved in the delivery of the Armed Services Advice Project and Employ-Able. We have also continued to contribute funding to The Scottish Association for the Care and Resettlement of Offenders (SACRO) Veterans Mentoring Service and are in discussions to enhance this partnership.

Major funder of the Armed Services Advice Project (ASAP) in collaboration with Citizens' Advice Scotland:

The project, which provides advice and support directly tailored to the needs of the Armed Forces Community, continues to go from strength to strength. The grant to Citizens Advice Scotland for the delivery of the Armed Services Advice Project was £445k (2015: £445k).

In November 2015 an event, hosted by Standard Life and attended by the First Minister of Scotland, launched a report outlining the achievements of ASAP during its first five years of operation. Now delivered in 10 regions across Scotland and supported by a National Telephone Helpline provided by Advice Direct Scotland, the service has supported over 9,600 individual clients with some 45,000 new and repeat issues to date. The client financial gain since the start of ASAP is £7.46m, as at 30 September 2016. This equates to approximately £3.65 for every £1 of funding invested in the project.

Development of support available from our Welfare Centre in Inverness:

During the reporting period, Poppyscotland Inverness has received some 530 (2015: 540) general enquiries, ranging from veterans in immediate need of help to members of the public wishing to find out more about the charity. Our three welfare staff have provided holistic support and guidance to 260 people seeking help with problems relating to their finances, housing, employment, health, benefits and debt. In June 2016 Poppyscotland entered into a partnership with NHS Highland to host the Veterans First Point (Highland) service in our offices. This collaborative partnership will see veterans with mental health issues receive support from NHS staff co-located alongside Poppyscotland staff.

Led the Support Pillar of Veterans Scotland:

Veterans Scotland seeks to promote collaborative working, deconfliction of service provision and the exchange of information and best practice between its member charities. Activities are split into four pillars: Housing, Comradeship, Health /Wellbeing and Support. Poppyscotland heads the Support Pillar, focusing primarily on employment, criminal justice matters, financial advice and support to individuals and organisations, and the provision of more general life-skills advice to veterans and their dependents. Poppyscotland chairs separate working groups on Employment, Grants to Individuals, Grants to Organisations, and the needs of veterans in the criminal justice system. Poppyscotland also provides rent free accommodation to Veterans Scotland and eight other charities in New Haig House.

Investigated service-delivery opportunities to meet the needs of older veterans:

We have, together with the Royal Voluntary Service (RVS), promoted the support available to older members of the Armed Forces community and identified volunteering opportunities for them. We are also leading a consortium bid to the Aged Veterans Fund and have been invited

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to submit a stage two application. In developing this bid we have been fortunate to secure the support of Standard Life and have been working with a team from their Accelerated Development Support programme to refine the bid.

b. Employment

Developed our Employment offering to ensure that those most detached from the workplace receive the necessary training and support:

We have continued to work with a variety of partners to deliver employability programmes targeted at those who are most detached from the work place. Most prominent is our Employ-Able programme, a partnership with the Scottish Association for Mental Health (SAMH), to which Poppyscotland contributed financial support amounting to £112k (2015: £115k). Employ-Able has helped 103 (2015: 105) veterans during the year with the primary aim being to assist them to achieve positive vocational goals which vary from training, through volunteering to employment.

This year we facilitated two LifeWorks courses in Scotland for a combined total of 24 participants through our relationship with the Royal British Legion Industries. The target for the year was to provide opportunities for 40 participants but one of the courses was cancelled due to logistic issues with one of the providers. We have also continued to work in partnership with APEX Scotland to support veterans with criminal records as well as providing training opportunities for those who require qualifications to obtain successful job outcomes.

Provided employment to disabled veterans via The Lady Haig Poppy Factory:

Poppies, wreaths and other items used by Poppyscotland during the Scottish Poppy Appeal are manufactured by 33 disabled veterans in our subsidiary company, The Lady Haig Poppy Factory. Though the production cost is higher than it would be by machine, the cost of all items produced is shown as a charitable activity in the accounts of the Factory. On consolidation, an amount representing the charitable element of expenditure incurred in manufacturing the poppies is treated as a welfare expense in Poppyscotland's accounts.

Poppy Factory income and expenditure arising from all activities during the 12 month period was £944k and £887k respectively (2014/15: £957k and £847k respectively). Sales of poppies to Poppyscotland and the general public increased from £367k to £380k; wreath sales increased from £290k to £310k due to an increase in public demand arising from First World War commemorative events such as the Somme and the Battle of Jutland. An increasing number of orders are being received through the Factory's on-line shop, which is proving increasingly popular with new customers.

c. Fundraising

Increased income obtained from The Scottish Poppy Appeal:

Income from all sources attributed to the Scottish Poppy Appeal amounted to £2.864m (2015: £2.849m), in line with the previous year and only 1.3% below target - a commendable result given the atrocious weather in the days up to and including Poppy Saturday. The increase in overall income has been driven by our strategy to work more closely with our volunteer Area

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Organisers (AO's) ensuring that they are fundraising at locations with more guaranteed footfall such as supermarkets and out of town shopping centres.

The development of the corporate fundraising role within the Appeal cycle has also had a positive impact, with UK corporate partnerships generating £132k (2015: £55k); we expect to see continued growth in this area of support in years ahead.

The Scottish Poppy Appeal completely relies on the incredible efforts of our many volunteers across Scotland. This includes many members of The Royal British Legion Scotland who help with the Appeal. During the year almost 90 Scottish Poppy Appeal Area Organisers retired. However, a significant recruitment campaign generated over 900 enquiries, resulting in 270 new collectors and over 80 new Area Organisers being recruited. We are also indebted to all of our supporters for their enthusiastic help out-with the Poppy Appeal. It is impossible to enumerate accurately the total contribution our volunteers make, but we estimate that over the year, our volunteers have contributed at least 80,000 hours to Poppyscotland, principally to support our fundraising work.

Increased our income from non-Poppy Appeal sources:

Income raised from other sources amounted to £856k (2015: £814k).

Despite increased competition within the charity sector the level of income donated has remained in line with past trends. The unexpected loss of some key events such as Beating Retreat and Gardening Scotland and the £91k reduction in income generated by the raffles run in conjunction with the Royal British Legion have been disappointing, but offset by the success of the East Lothian Cycling Sportive. Thanks to a three year sponsorship deal with Fred Olsen Renewables, the Sportive has built on the success achieved in 2015 by increasing participation to in excess of 600 (2015: 320) cyclists and contributing £48k (2015: £20k) out of a total events contribution of £85k (2015: £55k).

The proposed review of research and fundraising activity did not happen in the period as planned due to the incumbent Head of Fundraising moving to a new organisation mid-way through the year. Plans are already in place to undertake this work during the coming financial year.

d. Brand

Embedded our new brand strategy across the organisation and undertook a communications review for our welfare services, volunteering, events and community fundraising:

Having developed our case for support and reaffirmed our brand strategy in 2015, the 2015-16 focus was on embedding these in all of our marketing communications. New brand guidelines were also implemented, embedded and incorporated into several new design projects.

We developed and delivered our first ever advertising campaign promoting our welfare services to the Armed Forces Community, highlighting that our beneficiaries sometimes find it difficult to recognise or accept they need help. Members of the Armed Forces would have no hesitation in calling for backup in a military context, and we extended this "call for backup" theme in an attempt to break down the perceived stigma of asking for help.

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Participation in the Poppyscotland cycling sportive doubled and responses to the volunteer recruitment campaign were up by 15% with a reduced spend, largely as a result of effective social media advertising for both. This medium has enabled us to adopt a targeted approach, resulting in more effective and cost efficient advertising spend.

Refreshed our approach to social media to drive greater supporter engagement:

Our year-round use of social media continues to be of great value to the organisation and has benefitted from advances in technology such as live-stream videos on Facebook and Twitter. Our total following rose to more than 175,000 with in-house analytical research showing that Poppyscotland continues to have the largest following of any Scottish charity, and one of the largest in the UK. We also made greater use of social media advertising over the last 12 months with excellent results. This provides a highly targeted and extremely cost effective addition to our advertising mix.

The main Poppyscotland website, the Poppyscotland Store website and the Poppyscotland Learning website were relaunched and are now offering a vastly improved user experience, superior search engine optimisation and seamless social media integration to our followers and supporters.

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GROUP FINANCIAL REVIEW

Income for the 12 month period to 30 September 2016 amounted to £4.716m (2015: £4.632m).

Donations and legacies. The majority of the company's income comes from The Scottish Poppy Appeal, which raised £2.864m (2015: £2.849m); 61% of total income. Notwithstanding the challenging weather conditions prevalent across Scotland during the final week of the 2015 Poppy Appeal, this increase in monetary support is an excellent result and reflects the continuing generosity of the general public throughout Scotland and the importance of the Appeal to the work of the charity.

Other donations and income raised from various fundraising activities such as raffles, events, trusts, regular supporters and legacies amounted to £819k (2015: £682k).

Income from charitable activities. The Lady Haig Poppy Factory supported group activities with the production and distribution of poppies, wreaths and Remembrance Crosses and contributed £436k to group income on a consolidated basis (2015: £403k).

A further £132k (2015: £130k) was provided by other charitable organisations in support of activities undertaken by The Earl Haig Fund Scotland and included the following principal contributors to Poppyscotland's flagship welfare initiative "The Armed Services Advice Project":

The Army Benevolent Fund	£52k
The Royal Navy & Royal Marines Trust	£ 8k
SSAFA Scottish Resources Committee	£10k
Seafarers UK	£25k
The RAF Benevolent Fund	£20k

Expenditure for the 12 month period to 30 September 2016 amounted to £5.011m (2015: £4.892m).

The cost to the group of generating funds amounted to £2.104m (2015: £1.979m). The rise reflects the cost of developing and extending the breadth of fundraising initiatives. New initiatives, such as the "Heart of Scotland" mailing and expansion of the cycling Sportive, aimed at increasing the number of regular active supporters were also undertaken during the financial period and are expected to benefit future income streams.

The cost of activities in furtherance of the company's charitable objectives amounted to £2.907m (2015: £2.913m) and reflects the continuing level of resource required to support the needs of the ex-Service community in Scotland. Financial assistance in excess of £695k was provided directly to support veterans or their dependents (2015: £762k) and £1.125m (2015: £1.05m) was allocated to support the activities of other charitable organisations providing services and support to the service and ex-Service communities.

The Lady Haig Poppy Factory continues to produce poppies and wreaths in support of the annual Poppy Appeal and in doing so provides employment opportunities for 36 veterans at an overall cost to the group of £887k (2015: 37 veterans at a total cost of £848k).

Pension Schemes. A defined-benefit pension scheme, was available for all eligible members of staff to join until closing to new entrants in 2002. The assets of this scheme are held separately from those of

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the company and are managed by independent trustees. Given the financial strain on this type of pension arrangement, the scheme will close to future accruals with effect from 31 March 2018. Since 2002 new eligible members of staff have been offered the opportunity to contribute to a money-purchase scheme funded by both the employee and the company.

In accordance with Financial Reporting Standard FRS 102, an actuarial valuation of the Final Salary Pension Scheme has been prepared. Based on the assumptions adopted by the actuary it has been established that the Scheme had a funding deficit of £2.102m as at 30 September 2016 as reported in Note 22 of the financial statements. The deficit continues to be our major liability. The scheme has four remaining active members and closes to future accruals in March 2018.

Net Income. Net income amounted to £570k (2015: Deficit (£132k) due principally to net investment gains of £865k (2015: £128k). Following transfers between funds and actuarial losses of £292k in respect of the defined benefit pension scheme, the Group has total funds of £9.858m (2014/15: £9.580m).

Going Concern. Poppyscotland has been a subsidiary of The Royal British Legion since June 2011. Operating deficits reported in the financial statements arise predominantly from increased welfare provision to ensure the beneficiary experience is the same in Scotland as the rest of the UK. Whilst the charity continues to depend on the commitment and generosity of the Scottish public to provide funds through the annual Poppy Appeal and a range of year round fundraising activities and events, the level of investments provides financial security to the company. On this basis the Trustees are confident the charity will continue to function as a going concern for the foreseeable future and certainly from one year from the date of signing the financial statements.

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 to direct beneficiaries to expert, personalised advice and support rather than reliance on direct financial assistance; the aim of providing assistance 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. In such circumstances Poppyscotland works collaboratively with the Service benevolent funds, Regimental Associations and other agencies in bringing financial and more general support for individuals in need.

External grants to other organisations are provided where a third party has expertise or facilities unavailable within Poppyscotland's resources, or presents a project judged likely to bring benefit to our beneficiary group. 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 total return targeting RPI +2% over the medium to longer term. The portfolio is managed by Sarasin and Partners LLP and invested in two pooled funds with an ethical bias.

During the 12-month period under review the value of the portfolio increased to £10.765m over the year and generated £387k (2015: £385k) of investment income, equivalent to 13% on a total return basis. The majority of this uplift occurred after the Brexit referendum in June following which equities with non-sterling denominated revenue streams tended to benefit from the weakening of sterling.

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Reserves Policy

The policy is to hold two years' of unrestricted expenditure in reserves. These reserves are maintained to generate income to meet a proportion of the company'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 representing in excess of 60% of annual income.

The Trustees also recognise that the charity's facilities in Edinburgh require renewal. The Poppy Factory premises in particular are in need of refurbishment. Over the last two years work has been undertaken to identify a solution to the difficulties of modernising the factory premises with a view to providing a flexible space that was future-proofed and useable as more than just factory space. At their meeting in September 2016 board members were agreed that the chief executive should begin working with external agencies on developing this project estimated to cost between £2.5 and £3 million and with a completion date before the 2021 anniversary of the founding of the charity.

Total funds amount to £9.858 million (2015: £9.580 million) of which free unrestricted reserves (taking account of designated and restricted funds) amount to £8.899m. (2015: £8.656m), which represents the trustees' target of maintaining around two years of unrestricted expenditure.

Restricted reserves of £127k were held at 30 September 2016 (2014/15: £115k) in respect of funds provided by organisations and individuals in support of specific projects such as the Armed Services Advice Project undertaken by Poppyscotland and welfare programmes undertaken by The Lady Haig Poppy Factory Limited.

Designated reserves of £832k were held at 30 September 2016 (2014/15: £809k) relating to:-

- funds received from The Sandilands Memorial Trust following the winding-up of the Trust in 2013 on the understanding that the funds are to be used for the benefit of former members of the Royal Artillery in Scotland and their dependents until such funds are depleted or the need for such support no longer exists; and
- the capital reserve, which represents the depreciated value of assets owned and leased by The Earl Haig Fund Scotland.

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RISK MANAGEMENT

The Board of Trustees has responsibility for the oversight of risk management at Poppyscotland. It applies a system through which major risks are identified, assessed, effectively addressed and monitored. A Risk Register is maintained and kept under review by the charity's Chief Executive and Senior Management Team, and The Royal British Legion. During the current financial year the major risks to which the charity is exposed were reviewed and the key risks and controls identified as follows:

- a. Risk: Impact of the defined benefit pension scheme deficit on the charity's future plans;

Mitigating response

- i) The scheme will close to future accruals on 31st March 2018
- ii) Recovery plan agreed with the pension trustees following the 2013 actuarial review is in place and additional contributions have been made as agreed
- iii) Discussions are ongoing with the scheme trustees and The Royal British Legion to bring the scheme under the Group pension arrangements with a view to reducing costs going forward

- b. Risk: Management processes not aligned to meet objectives

Mitigating response

- i) Board oversight of Executive Management Decisions
- ii) Annual external audit
- iii) Systems of Governance subject to periodic review
- iv) Monthly management reports submitted to Director General of The Royal British Legion
- v) Robust systems in place for Financial management

- c. Risk: Insufficient sharing of information across the organisation leading to inadequate budgetary setting and control

Mitigating response

- i) Intra-departmental reporting of activity against budget
- ii) Management team review and analysis of forecast outcomes against budget strategy on a quarterly basis with reports to the Board of trustees
- iii) Bottom-up annual budgeting process sanctioned by management for Board review and approval
- iv) Communication of annual budgetary plans and aspirations to staff at both organisational and departmental levels

Appropriate and robust controls and actions to address these risks are in place and are regularly reviewed as part of the risk management procedure.

PLANS FOR THE FUTURE

- a. Welfare. To continue to provide and where possible enhance the level of support available to our Armed Forces Community within the current seven areas of welfare operations² including, amongst other things, by:
 - i. Building effective partnerships and taking advantage of other organisations' strengths to deliver services which are highly effective and cost efficient; such as that with NHS Highland and Veterans' First Point (operating from our office in Inverness) and the consortium being developed under Poppyscotland leadership to bid to the Aged Veterans Fund.
 - ii. Extending our footprint and ability to provide appropriate services across Scotland through, amongst other things, opening an office in Ayrshire. This second drop-in centre, replicating the model of the Inverness centre, will, whilst increasing costs, contribute significantly to Poppyscotland's ability to provide equitable welfare support across Scotland.
 - iii. Leveraging national and other programmes to enhance provision in Scotland; for instance by enhancing the reach of the Armed Services Advice Project through integration under the TRBL led Gateway project (Check Point) in 2017.
- b. Fundraising. Development of Fundraising activities:
 - i. Build on the success of Poppy Appeal activity by developing events programme and ensuring our volunteer management is effective.
 - ii. Development of year round fundraising including events and direct marketing, building our supporter base and developing our legacy strategy.
 - iii. To develop our relationship with Legion Scotland.
- c. Infrastructure. Ensure compliance with statutory obligations, for instance by being a part of TRBL's Facilities Management contract and progressing with plans for the refurbishment of the Lady Haig Poppy Factory.

Following a preliminary feasibility study undertaken during 2014 to consider the future development of our Edinburgh site, including The Lady Haig Poppy Factory, further work has been undertaken to define better the requirement. In September 2016, the Board authorized the CEO to further develop plans to refurbish the Lady Haig Poppy Factory and upgrade some essential facilities in New Haig House. A fully costed plan will be presented in 2017. The target completion date is 2021 coincident with the 100th anniversary of Poppy Appeal.

- d. Education. Provide education activities that create public awareness and support for our welfare services. To develop the concept and bring in funding for the 'Moving Poppy' project – a mobile education initiative aimed at taking the Story of the Poppy and remembrance to schools and the wider community throughout Scotland.

To ensure that the broader education requirement is included in the refurbishment of the Poppy Factory.

² Tailored Support and funding to individuals and organisations, advice, employment, mobility, housing, mental health and respite breaks

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STRUCTURE GOVERNANCE AND MANAGEMENT

The Earl Haig Fund Scotland group consists of The Earl Haig Fund Scotland (operating as Poppyscotland) and its subsidiary, The Lady Haig Poppy Factory Limited, and is a subsidiary of The Royal British Legion.

The Earl Haig Fund Scotland is a registered Scottish charitable company limited by guarantee and is governed by its 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 Lady Haig Poppy Factory Limited is a company limited by shares and a direct subsidiary of The Earl Haig Fund Scotland.

Both organisations are involved in a range of activities for the benefit of the ex-Service community in Scotland, including fundraising and the provision of welfare services.

Governance

For the period 1 October 2015 to 23 February 2016 there were only two appointed trustees, pending a reconstitution of the Poppyscotland Board in February 2016.

Until 10 November 2015 the Chief Executive and the trustees were supported by the Scottish Advisory Committee. The purpose of the Scottish Advisory Committee was to develop recommendations to the Board of Trustees of The Royal British Legion for the Charity's policies in Scotland and to advise that Board as necessary on issues of relevance to Scottish veterans and beneficiaries. A member of the Board of Trustees of The Royal British Legion was also a member of the Scottish Advisory Committee. Meetings of the Scottish Advisory Committee took place quarterly.

The governance of Poppyscotland was reviewed and revised during the reporting period. This was prompted by two factors. Firstly, the enactment from 1 October 2015 of Section 87 of the Small Business Enterprise and Employment Act 2015, which applies to and amends the Companies Act 2006(1), and removes any provision for companies with fewer than 250 employees to have corporate directors. Secondly, The Royal British Legion Board of Trustees wished to both bolster communication between The Royal British Legion and Poppyscotland and to achieve more direct Scottish input to The Royal British Legion governance through the formation of a Poppyscotland Board. The Poppyscotland Board was reconstituted in a six member format, with a mix of independent trustees from Scotland and trustees who are also appointed by and in two instances, members, of the Board of Trustees of The Royal British Legion. The Scottish Advisory Committee was dissolved, though continuity was achieved by five of its current members joining the new Poppyscotland Board. These changes were approved by the Office of the Scottish Charities Regulator.

Appointment of Trustees

As set out in the Articles of Association the Board of Trustees (who are also directors of The Earl Haig Fund Scotland for the purposes of company law) shall comprise six members appointed by the Royal British Legion, who may in this respect appoint a member of the Board at any time by written notice to the Company.

A member of the Board shall hold office for three years from the date of his appointment, when his/her appointment shall terminate unless re-appointed by the Royal British Legion in accordance with Article

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25 of the Articles of Association. The appointed trustee is eligible for reappointment for a second and any number of subsequent terms.

Trustees' Responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the 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.

Trustees' induction and training

Training for trustees is provided through The Royal British Legion or by the local legal advisers, Gillespie McAndrew LLP.

Remuneration Policy

The aim of the remuneration policy is to offer remuneration that is fair and appropriate. Poppyscotland expects to pay at a level comparable to that in the public sector and the charity sector. To underpin our values and our commitment to internal fairness in remuneration, all employees' roles were reviewed and graded in 2015 with the objective of ensuring that our salaries are fair, competitive and comparable with The Royal British Legion.

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Public Benefit

The trustees have considered the requirements of the public benefit guidance published under FRS 102 and the Charities and Trustee Investment (Scotland) Act 2005. They are satisfied that the level of welfare support provided to the beneficiaries of The Earl Haig Fund Scotland group of charities as well as the support provided to other charitable organisations satisfied the public benefit requirements as laid out in relevant legislation.

Exemptions from Disclosure

There are no exemptions that the charity has taken.

Management and Decision Making

Responsibility for the day-to-day operations of Poppyscotland is delegated to the Chief Executive, supported by the Senior Management Team and staff. The Poppyscotland management structure undertakes the operational activities of Poppyscotland within a clearly defined decision-making and reporting structure. Operational integration with The Royal British Legion is achieved through the CEO's line management.

Chief Executive

Mr M Bibbey (appointed 1 March 2016)
Mr I M McGregor MA Hons (Oxon) Dip
Mgmt (resigned 31 March 2016)

Head of Finance

Mr A J Christie MA (Hons) CA

Head of Marketing & Commercial Services

Mr F Bedwell

Head of HR & Administration

Miss P Beattie MA Hons PG Dip MCIPD
(appointed 1 October 2015)
Mrs D M Barclay BA Cert Mgmt
(resigned 14 October 2015)

Head of Fundraising

Mr G Michie (appointed 4 July 2016)
Mr Colin Flinn (resigned 15 July 2016)

Head of Welfare Services

Mr G Gray

The Lady Haig Poppy Factory Manager

Major C Pelling

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

REFERENCE AND ADMINISTRATIVE INFORMATION

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. It is a Company Limited by Guarantee. 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.

Registered and Principal Office

New Haig House
Logie Green Road,
Edinburgh EH7 4HQ

Charity Registration Number

SC014096

Registered Company Number

SC194893 (Scotland)

President

Lieutenant General Sir Alistair Irwin KCB CBE MA FCMI Finst CPD

Trustees

Lt Cdr (Retd) Graeme Alexander OBE (appointed 23 February 2016, resigned 9 December 2016)

Mr Kenneth Barclay (appointed 23 February 2016)

Charles Byrne (appointed 4 August 2016)

Mrs Una Cleminson BEM, TD (appointed 23 May 2016)

Professor Alexander Davison (appointed 23 February 2016)

Colonel Allan Lapsley QVRM TD DL (appointed 23 February 2016)

Colonel N Salisbury (appointed 1 October 2015, resigned 23 May 2016)

Dr C Simpkins DMA Hon DUUniv DL (resigned 29 July 2016)

Chief Executive

Mr Mark Bibbey (appointed 1 March 2016)

Legal Adviser

Gillespie Macandrew LLP
5 Atholl Crescent
Edinburgh
EH3 8EJ

Chartered Accountants and Statutory Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

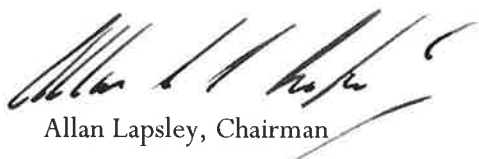
Bankers

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

Investment Advisers

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

BY ORDER OF THE BOARD



Allan Lapsley, Chairman

31 January 2017

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 2016 which comprise the Group and Parent Charitable Company Statements of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Charitable Company Cash Flow Statement and the related notes 1 to 26. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

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

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 2016 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees (including Strategic 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

27/2/2017

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 year ending 30 September 2016
(incorporating an Income and Expenditure Account)

	Notes	2016 Unrestricted Funds	2016 Restricted Funds	2016 Total Funds	2015 Total Funds Restated
		£'000	£'000	£'000	£'000
Income from:					
Donations and legacies	3(b)	3,671	12	3,683	3,531
Charitable activities	4(a)	13	119	132	130
	4(b)	319	117	436	403
Other trading activities		61	-	61	152
Investments	5	387	-	387	385
Other	6	17	-	17	31
Total Income		4,468	248	4,716	4,632
Expenditure on:					
Raising funds	7	2,104	-	2,104	1,979
Charitable activities					
- Poppy manufacturing costs	8	497	129	626	546
- Welfare services	9	2,178	103	2,281	2,367
		2,675	232	2,907	2,913
Total Expenditure		4,779	232	5,011	4,892
Net gains on investments	15	865	-	865	128
Net income/(expenditure)		554	16	570	(132)
Transfers between funds		4	(4)	-	-
Actuarial (losses)/gains on defined benefit pension scheme	22	(292)	-	(292)	184
Net movement in funds		266	12	278	52
Reconciliation of funds:					
Total funds brought forward	19	9,465	115	9,580	9,528
Total funds carried forward	19	9,731	127	9,858	9,580

There are no other recognised gains or losses other than those listed above and the net income for the year. All income and expenditure derives from continuing operations.

Note 2a contains details of the restatement.

The notes on pages 24 to 43 form part of the financial statements.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
Company Statement of Financial Activities for year ending 30 September 2016
(incorporating an Income and Expenditure Account)

	Notes	2016 Unrestricted Funds £'000	2016 Restricted Funds £'000	2016 Total Funds £'000	2015 Total Funds Restated £'000
Income from:					
Donations and legacies	3(a)	3,659	-	3,659	3,511
Charitable activities	4(a)	13	119	132	130
Other trading activities		61	-	61	152
Investments	5	387	-	387	385
Other	6	17	-	17	21
Total Income		4,137	119	4,256	4,199
Expenditure on:					
Raising funds	7	2,104	-	2,104	1,979
Charitable activities	9	2,400	103	2,503	2,589
Total Expenditure		4,504	103	4,607	4,568
Net gains on investments	15	865	-	865	128
Net income/(expenditure)		498	16	514	(241)
Transfers between funds		4	(4)	-	-
Actuarial (losses)/gains on defined benefit pension Scheme	22	(292)	-	(292)	184
Net movement in funds		210	12	222	(57)
Reconciliation of funds:					
Total funds brought forward	19	8,679	94	8,773	8,830
Total funds carried forward	19	8,889	106	8,995	8,773

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.

Note 2a contains details of the restatement.

The notes on pages 24 to 43 form part of the financial statements.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
Consolidated and Company Balance Sheets for year ending 30 September 2016

As at 30 September 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Fixed Assets					
Tangible assets	13	681	720	681	720
Investment in subsidiary	14	-	-	1	1
Investments	15	10,765	9,880	10,765	9,880
		<u>11,446</u>	<u>10,600</u>	<u>11,447</u>	<u>10,601</u>
Current Assets					
Stock	16	314	296	-	-
Debtors	17	309	380	197	284
Cash at bank		473	643	416	571
		<u>1,096</u>	<u>1,319</u>	<u>613</u>	<u>855</u>
Creditors: amounts falling due within one year	18	<u>(582)</u>	<u>(610)</u>	<u>(963)</u>	<u>(954)</u>
Net current assets/(liabilities)		<u>514</u>	<u>709</u>	<u>(350)</u>	<u>(99)</u>
Total assets less current liabilities		<u>11,960</u>	<u>11,309</u>	<u>11,097</u>	<u>10,502</u>
Defined benefit pension scheme liability	22	<u>(2,102)</u>	<u>(1,729)</u>	<u>(2,102)</u>	<u>(1,729)</u>
NET ASSETS		<u>9,858</u>	<u>9,580</u>	<u>8,995</u>	<u>8,773</u>
Funds					
Unrestricted Funds	19				
Revaluation reserve		1,256	391	1,256	391
General fund		9,745	9,994	8,903	9,208
		<u>11,001</u>	<u>10,385</u>	<u>10,159</u>	<u>9,599</u>
General funds excluding pension liability		<u>11,001</u>	<u>10,385</u>	<u>10,159</u>	<u>9,599</u>
Pension reserve		<u>(2,102)</u>	<u>(1,729)</u>	<u>(2,102)</u>	<u>(1,729)</u>
		<u>8,899</u>	<u>8,656</u>	<u>8,057</u>	<u>7,870</u>
Total general funds		<u>8,899</u>	<u>8,656</u>	<u>8,057</u>	<u>7,870</u>
Designated funds		<u>832</u>	<u>809</u>	<u>832</u>	<u>809</u>
		<u>9,731</u>	<u>9,465</u>	<u>8,889</u>	<u>8,679</u>
Total unrestricted funds		<u>9,731</u>	<u>9,465</u>	<u>8,889</u>	<u>8,679</u>
Restricted funds		<u>127</u>	<u>115</u>	<u>106</u>	<u>94</u>
		<u>9,858</u>	<u>9,580</u>	<u>8,995</u>	<u>8,773</u>
Total Funds		<u>9,858</u>	<u>9,580</u>	<u>8,995</u>	<u>8,773</u>

The financial statements on pages 20 to 43 were approved by the Trustees, authorised for issue and signed on their behalf by:-


Allan Lapsley, Chairman

31 January 2017

Registered Company No: SC194893

The notes on pages 24 to 43 form part of the financial statements

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
Consolidated Cash Flow Statement for year ending 30 September 2016

	Note	2016 £'000	2015 £'000
Net cash flows from operating activities	21	(537)	(1,117)
Cash flows from investing activities			
Dividends and interest from investments		387	385
Proceeds from sale of investments		11	6,924
Purchase of investments		(31)	(6,195)
		<hr/>	<hr/>
Net cash provided by investing activities		367	1,114
		<hr/>	<hr/>
Change in cash and cash equivalents in the reporting period		(170)	(3)
Cash and cash equivalents at the beginning of the year		643	646
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		473	643
		<hr/> <hr/>	<hr/> <hr/>

There are no cash equivalents and therefore cash and cash equivalents comprise cash at bank.

The notes on pages 24 to 43 form part of the financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

1 Company Information

The Earl Haig Fund Scotland is a charitable company limited by guarantee incorporated and domiciled in Scotland with registered company number SC194893 and charity number SC014096. The registered office is New Haig House, Logie Green Road, Edinburgh, EH7 4HR. The Earl Haig Fund Scotland is a public benefit entity.

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.

The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the company.

2 Accounting Policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of investments and in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (Charities SORP), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

This is the first year in which FRS 102 has been applied. The transition date was 1 October 2014. In preparing the financial statements, the Trustees have considered whether any restatement of comparatives was required to comply with FRS 102 and the Charities SORP. No restatements were required although there has been a change in the presentation of governance costs and pension costs:

- a) Governance costs: Previously these had been separately analysed on the face of the statement of financial activity. Governance costs are now classified as a support cost and have therefore been allocated to activities along with other support costs. There is no effect on the total expenditure for the current or prior year.
- b) Pension costs: As a result of the FRS102 change to expected return on scheme assets, the actuarial gain previously recognised in 2015 of £28k has increased to £184k. Under FRS102, this adjustment is reclassified as an increase in interest and administration costs of £44k and £112k respectively, which has been shown as additional costs and allocated as a cost of employment accordingly.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2016

2 Accounting Policies (cont'd)

b) Going Concern

The financial statements have been prepared on a going concern basis. The directors have assessed the Charitable Company's ability to continue as a going concern and have reasonable expectation that the Charitable Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements. For more information on the use of the going concern basis, please see page 11 of the Trustees' Report.

c) Group Financial Statements

The group statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the company and its wholly owned subsidiary undertaking, The Lady Haig Poppy Factory. 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. The results of the subsidiary undertaking are disclosed in note 14.

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) Income

Income in respect of donations, legacies and grants is recognised in the Statement of Financial Activities when the Group and Charity have entitlement to the funds, any performance conditions attached to the receipt of the income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from investments and bank interest is recognized in the period in which it is receivable except for interest on short term deposits, which is dealt with on an accrual basis.

f) Expenditure

Expenditure is recognized where there is a legal or constructive obligation to make a payment to a third party, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

Expenditure on raising funds includes the cost incurred in generating or promoting the need for fundraising income to support the activities of the Group and Charity and includes an appropriate allocation of support costs.

Expenditure on charitable activities includes:

- grants given to relieve need amongst members of the Armed Forces Community and their dependants and other charitable organizations working to relieve distress amongst members of the Armed Forces Community;

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2016

- the direct costs incurred of delivering the welfare offering of the Group and Charity; and
- an appropriate allocation of support costs incurred by those functions which support the work of the Group and Charity but do not directly undertake charitable activities. Support costs include back office costs such as PR and marketing, finance, personnel, payroll, governance and overheads.

g) Other Expenditure

Other expenditure 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 expenditure.

h) Cost Allocation

Governance and 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 expenditure.

i) 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
Information technology and other equipment	-	1 – 5 years

j) Investments

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

k) Stock

Stock held by The Earl Haig Fund Scotland Group relates solely to stock held by its subsidiary, The Lady Haig Poppy Factory and 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 “expenditure on raising funds” 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.

l) Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2016

Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

m) 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 FRS102: Section 28 Employee 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 income 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 FRS102: Section 28 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 22 to the financial statements.

n) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described above, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates of the net pension liability depends on a number of complex judgements relating to a discount rate used, changes in retirement ages and mortality rates. The charity engages a firm of actuaries to provide expert advice about the assumptions made and the effect on the pension liability of changes in these assumptions.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

3. Donations and Legacies	2016	2015
	£'000	£'000
a) Company		
The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
Poppy Collection	2,864	2,849
Donations	358	504
Events	85	55
Legacies	352	103
	<hr/>	<hr/>
Company Unrestricted	3,659	3,511
	<hr/> <hr/>	<hr/> <hr/>
b) Company and Group		
The Earl Haig Fund Scotland (per above)	3,659	3,511
The Lady Haig Poppy Factory		
Donations - unrestricted	12	-
Donations - restricted	12	20
	<hr/>	<hr/>
Company and Group Total	3,683	3,531
	<hr/> <hr/>	<hr/> <hr/>

The total number of poppies distributed on behalf of the Scottish Poppy Appeal in the 12 months to 30 September 2016 was 4,192,300 (12 months to September 2015: 3,617,490).

4. Charitable Activities	2016	2015
	£'000	£'000
(a) The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
The Sandilands Memorial Trust	10	12
The Officers Association Scotland	3	-
	<hr/>	<hr/>
Company and Group Unrestricted	13	12
	<hr/> <hr/>	<hr/> <hr/>
<u>Restricted</u>		
The Army Benevolent Fund	52	52
The Royal Navy Royal Marines Trusts	8	15
SSAFA Scottish Resources Committee	10	10
The Scottish Veterans Fund	4	-
Seafarers UK	25	15
The RAF Benevolent Fund	20	25
The Royal British Legion	-	1
	<hr/>	<hr/>
Company and Group Restricted	119	118
	<hr/> <hr/>	<hr/> <hr/>
Company and Group Total	132	130
	<hr/> <hr/>	<hr/> <hr/>

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

4. Charitable Activities (continued)	2016	2015
	£'000	£'000
(b) The Lady Haig Poppy Factory		
<u>Unrestricted</u>		
Sales of Remembrance items	319	288
<u>Restricted</u>		
Jobcentre Plus Employment Services grant	117	115
	<hr/>	<hr/>
Group Total	436	403
	<hr/> <hr/>	<hr/> <hr/>
5. Investment Income	2016	2015
	£'000	£'000
Income from listed investments	359	356
Income from deposit interest	8	8
Investment management fee rebate	20	21
	<hr/>	<hr/>
Company and Group	387	385
	<hr/> <hr/>	<hr/> <hr/>
6. Other	2016	2015
	£'000	£'000
The Earl Haig Fund Scotland		
Rental income	13	21
Miscellaneous income	4	-
	<hr/>	<hr/>
Company	17	21
The Lady Haig Poppy Factory		
Miscellaneous income	-	10
	<hr/>	<hr/>
Group	17	31
	<hr/> <hr/>	<hr/> <hr/>
7. Expenditure on Raising Funds	2016	2015
	£'000	£'000
<u>Direct costs</u>		
Salaries, national insurance and pension costs	635	571
Other supporting costs	826	696
Purchase of poppies and crosses from Lady Haig Poppy Factory	262	302
	<hr/>	<hr/>
	1,723	1,569
<u>Indirect costs</u>		
Salaries, national insurance and pension costs	237	212
Other supporting costs	144	198
	<hr/>	<hr/>
	381	410
	<hr/>	<hr/>
Group and Company	2,104	1,979
	<hr/> <hr/>	<hr/> <hr/>

Note 10

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

	2016	2015
	£'000	£'000
8. Poppy Manufacturing Costs		
Salaries, national insurance and pension costs	694	684
Materials consumed	74	99
Decrease/(increase) in finished goods	3	(42)
Operating expenses	105	92
Welfare	12	15
	<hr/>	<hr/>
	888	848
Deduct purchase of poppies and crosses from Lady Haig Poppy Factory	(262)	(302)
	<hr/>	<hr/>
Group	626	546
	=====	=====
Analysed as follows:-		
Unrestricted activities	497	416
Restricted activities	129	130
	<hr/>	<hr/>
	626	546
	=====	=====
9. Welfare Services	2016	2015
a) Company		
(i) Grants to individuals		
Annual review cases	No.	No.
At 1 October	101	112
Withdrawals	(14)	(11)
	<hr/>	<hr/>
At 30 September	87	101
	=====	=====
Individual cases	1,218	1,168
	=====	=====
Annual Pension Grants to ex-Factory employees	17	18
	=====	=====
Unrestricted	£'000	£'000
Individual cases	572	624
Annual review cases	115	129
Annual Pension Grant to ex-Factory employees	8	9
	<hr/>	<hr/>
Grants to individuals	695	762
	=====	=====

Grants to individuals includes a contribution of £11k (2015: £12k) 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 4a).

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

9. Welfare Services (cont'd)	2016	2015
	£'000	£'000
(a) (ii) Grants to other organisations		
<u>Direct costs</u>		
The Royal British Legion Scotland	83	82
The Lady Haig Poppy Factory	222	222
Veterans Scotland	2	7
Scottish Veterans Garden City (Inc)	-	(69)
Soldiers Sailors Air Force Families Association	5	14
Horseback UK	4	8
Combat Stress	25	-
Citizens Advice Scotland	342	328
Citizens Advice Scotland (Restricted)	103	117
Royal British Legion Industries	28	15
The Regular Forces Employment Association	20	20
Sacro	25	26
Royal Caledonian Educational Trust	9	-
Community Veterans Support	9	-
Scottish Association for Mental Health	112	116
The Royal British Legion	-	1
Miscellaneous	12	22
	<hr/>	<hr/>
	1,001	909
	<hr/>	<hr/>
<u>Indirect costs</u>	<u>Note 10</u>	
Salaries, national insurance and pension costs	63	46
Other supporting costs	32	56
	<hr/>	<hr/>
	95	102
	<hr/>	<hr/>
Grants to other organisations	1,096	1,011
	<hr/>	<hr/>
9. (b) Welfare support costs	2016	2015
	£'000	£'000
<u>Direct costs</u>		
Salaries, national insurance and pension costs	328	338
Other supporting costs	120	178
Other supporting costs (restricted)	-	13
	<hr/>	<hr/>
	448	529
	<hr/>	<hr/>
<u>Indirect costs</u>	<u>Note 10</u>	
Salaries, national insurance and pension costs	194	176
Other supporting costs	70	111
	<hr/>	<hr/>
	264	287
	<hr/>	<hr/>
	712	816
	<hr/>	<hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2016

9. (b) Welfare support costs (cont'd)	2016	2015
	£'000	£'000
Total Welfare Costs		
Grants to individuals	695	762
Grants to other organisations	1,096	1,011
Welfare support	712	816
	<hr/>	<hr/>
Company	2,503	2,589
	<hr/>	<hr/>
Deduct grant towards production costs of Lady Haig Poppy Factory	(222)	(222)
	<hr/>	<hr/>
Group	2,281	2,367
	<hr/> <hr/>	<hr/> <hr/>
Analysed as follows:-		
Unrestricted activities	2,400	2,479
Restricted activities	103	110
	<hr/>	<hr/>
Company	2,503	2,589
	<hr/> <hr/>	<hr/> <hr/>
Unrestricted activities	2,178	2,249
Restricted activities	103	118
	<hr/>	<hr/>
Group	2,281	2,367
	<hr/> <hr/>	<hr/> <hr/>

The Earl Haig Fund Scotland provides rent free accommodation to the following charities located at New Haig House in Edinburgh and Cameronian House in Glasgow at a notional value of £30k (2015: £30k):

- The Royal British Legion Scotland
- The Officers' Association Scotland
- Soldiers Sailors Air Force Families Association
- The Scottish Veterans' Garden City Association
- Veterans Scotland
- The Regular Forces Employment Association

10. 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
	2016	2016	2015	2015
				Restated
	£'000	£'000	£'000	£'000
Raising funds	237	144	212	198
Charitable activities	194	70	176	111
Support to other organisations	63	32	46	56
	<hr/>	<hr/>	<hr/>	<hr/>
	494	246	434	365
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Governance costs of £36k have been included in general overheads, and split equally across the cost of raising funds and charitable activities and allocated accordingly. Governance costs include auditor's remuneration of £11k (2015: £14k) for the Earl Haig Fund Scotland, and £9k (£3k) for the subsidiary.

Net income is stated after charging £50k (2015: £50k) for operating lease rentals.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

11. Analysis of Staff Costs, Trustee Remuneration and Expenses, and the Cost of Key Management Personnel

The average monthly number of employees was:

	Group		Charity	
	2016	2015	2016	2015
	No.	No.	No.	No.
Raising funds	15	16	15	16
Charitable activities	45	43	9	8
Support	16	16	11	11
	-----	-----	-----	-----
	76	75	35	35
	=====	=====	=====	=====

The aggregate remuneration comprised:

	Group		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Wages and salaries	1,665	1,604	1,054	1,004
Social security costs	137	129	98	91
Other pension costs	349	203	305	158
	-----	-----	-----	-----
	2,151	1,936	1,457	1,253
	=====	=====	=====	=====

The number of Group employees whose emoluments, excluding pension contributions but including benefits in kind, were in excess of £60,000 was:

	2016	2015
	No.	No.
£60,000 - £70,000	-	1
	=====	=====

The key management personnel of the Group comprises those of the Charity and its wholly owned subsidiary. The total remuneration (including pension contributions and social security costs) of the key management personnel of the Group (and the Charity) for the year totaled £101k (2015: £83k).

Trustees' Remuneration

No trustee of the Charity or its subsidiary received remuneration or was reimbursed for expenses during the current year (2015: Nil).

12. 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 (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

13. Tangible Fixed Assets

Group and Company	Property Freehold £'000	Property Short Lease £'000	Information Technology £'000	Total £000
Cost				
At 1 October 2015	864	91	65	1,020
At 30 September 2016	864	91	65	1,020
Depreciation				
At 1 October 2015	265	22	13	300
Charge for period	17	9	13	39
At 30 September 2016	282	31	26	339
Net Book Value				
At 30 September 2016	582	60	39	681
Net Book Value At 30 September 2015	599	69	52	720

Included in Property Freehold is an amount of £26k (2015: £26k) in respect of land which has not been depreciated.

14. Investment in Subsidiary

	2016 £'000	2015 £'000
1,000 Ordinary Shares of £1 at cost	1	1

The investment represents 100% of the share capital of The Lady Haig Poppy Factory Limited, a Scottish registered charitable company (company number SC194777, charity number SCO16682), whose principal activity is the employment of disabled ex-service personnel to manufacture poppies and wreaths.

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

	2016 £'000	2015 £'000
Total income	944	957
Total expenditure	(887)	(847)
Net income for the year	57	110

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

Current assets	916	852
Current liabilities	(51)	(44)
Net Assets	865	808

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

15. Investments

Group and Company	2016	2015
	£'000	£'000
Market value of listed securities at 1 October	9,880	10,481
Additions	31	6,195
Disposal proceeds	(11)	(6,924)
Unrealised gain during the period	865	128
	<u>10,765</u>	<u>9,880</u>
	=====	=====

Investment categories in UK:

Bonds	5,406	4,568
Equities	4,159	3,614
Other	1,200	1,698
	<u>10,765</u>	<u>9,880</u>
	=====	=====

Market value of listed securities at 30 September

Cost at 30 September: listed securities

Cost at 30 September
Revaluation reserve

Market Value at 30 September

	<u>10,765</u>	<u>9,880</u>
	=====	=====
	<u>9,509</u>	<u>9,489</u>
	=====	=====
	9,509	9,489
	1,256	391
	<u>10,765</u>	<u>9,880</u>
	=====	=====

16. Stock

Finished goods
Work in progress

	Group	Company	Group	Company
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Finished goods	231	-	233	-
Work in progress	83	-	63	-
	<u>314</u>	<u>-</u>	<u>296</u>	<u>-</u>
	=====	=====	=====	=====

17. Debtors

The Royal British Legion
Other debtors and prepayments

	Group	Company	Group	Company
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
The Royal British Legion	-	-	122	122
Other debtors and prepayments	309	197	258	162
	<u>309</u>	<u>197</u>	<u>380</u>	<u>284</u>
	=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2016

18. Creditors: Amounts falling due within one year	Group	Company	Group	Company
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
The Royal British Legion	126	126	105	105
The Lady Haig Poppy Factory	-	432	-	388
Grants payable	45	45	67	67
Other creditors and accrued charges	411	360	438	394
	<u>582</u>	<u>963</u>	<u>610</u>	<u>954</u>
	=====	=====	=====	=====

19. Funds

(a) Group	Balance at	Income	Expenditure	Other	Transfer	Balance
	1 October					2015
Restricted Funds	£'000	£'000	£'000	(losses)	£'000	£'000
Restricted Funds	115	248	(232)	-	(4)	127
Unrestricted Funds						
Designated Funds						
Sandilands Memorial Trust	141	6	(11)	15	-	151
Capital Reserve	668	-	(26)	-	39	681
	809	6	(37)	15	39	832
Revaluation reserve	391	-	-	-	865	1,256
General Fund	9,994	4,462	(4,661)	850	(900)	9,745
	10,385	4,462	(4,661)	850	(35)	11,001
Pension Reserve	(1,729)	-	(81)	(292)	-	(2,102)
Total unrestricted funds	9,465	4,468	(4,779)	573	4	9,731
Total Funds	9,580	4,716	(5,011)	573	-	9,858

(b) Company	Balance at	Income	Expenditure	Other	Transfer	Balance at
	1 October					2015
Restricted Funds	£'000	£'000	£'000	(losses)	£'000	£'000
Restricted Funds	94	119	(103)	-	(4)	106
Unrestricted Funds						
Designated Funds						
Sandilands Memorial Trust	141	6	(11)	15	-	151
Capital Reserve	668	-	(26)	-	39	681
	809	6	(37)	15	39	832
Revaluation reserve	391	-	-	-	865	1,256
General Fund	9,208	4,131	(4,386)	850	(900)	8,903
	9,599	4,131	(4,386)	850	(35)	10,159
Pension Reserve	(1,729)	-	(81)	(292)	-	(2,102)
Total unrestricted funds	8,679	4,137	(4,504)	573	4	8,889
Total funds	8,773	4,256	(4,607)	573	-	8,995

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

19. Funds (cont'd)

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.

Designated 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.

Capital Reserve

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

Unrestricted Funds

The General Fund represents the funds of the charity for its general purpose and which are not designated for any specific purpose.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2016

20. Analysis of Net Assets

	Designated Funds £'000	Restricted Funds £'000	General Funds £'000	Total Funds £'000
a) Group				
Fund balances are represented by:				
Tangible fixed assets	681	-	-	681
Investments	151	-	10,614	10,765
Current assets	-	127	969	1,096
Current liabilities	-	-	(582)	(582)
Long-term liabilities	-	-	(2,102)	(2,102)
	<u>832</u>	<u>127</u>	<u>8,899</u>	<u>9,858</u>
Total net assets at 30 September 2016	832	127	8,899	9,858

	Designated Funds £'000	Restricted Funds £'000	General Funds £'000	Total Funds £'000
b) Company				
Fund balances are represented by:				
Tangible fixed assets	681	-	-	681
Investments	151	-	10,615	10,766
Current assets	-	106	507	613
Current liabilities	-	-	(963)	(963)
Long-term liabilities	-	-	(2,102)	(2,102)
	<u>832</u>	<u>106</u>	<u>8,057</u>	<u>8,995</u>
Total net assets at 30 September 2016	832	106	8,057	8,995

21. Notes of the Cash Flow Statement

Reconciliation of net income to net cash flow from operating activities

	2016 £'000	2015 £'000
Net income for the reporting period	570	(132)
Adjustments for:		
Depreciation charges	39	39
Gains on investments	(865)	(128)
Dividends and interest from investments	(387)	(385)
Increase in stocks	(18)	(51)
Decrease in debtors	71	55
Decrease in creditors	(28)	(640)
Adjustment for pension funding	81	125
Net cash used in operating activities	<u>(537)</u>	<u>(1,117)</u>

22. 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 EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

22. Retirement Benefits (cont'd)

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.

Amounts recognised in the Statement of financial activities

	12 months to 30 September 2016	12 months to 30 September 2015
	£ '000	Restated £'000
<u>Analysis of amounts charged against net income</u>		
Current Service cost	78	92
Administration expenses	68	112
Net interest	<u>66</u>	<u>73</u>
Total cost recognised	212	277
Actuarial losses/(gains) on liabilities	<u>292</u>	<u>(184)</u>
Total decrease/(increase) in net funds recognised at 30 September	<u>504</u>	<u>93</u>
<u>Reconciliation to the Balance Sheet at 30 September</u>	2016	2015
	£'000	Restated £'000
Market value of assets	5,997	5,038
Present value of liabilities	<u>(8,099)</u>	<u>(6,767)</u>
Deficit in the Fund	<u>(2,102)</u>	<u>(1,729)</u>
<u>Analysis of changes in the value of fund liabilities over the year</u>	2016	2015
	£'000	Restated £'000
Value of liabilities at 1 October	6,767	6,750
Service cost	78	92
Interest cost	254	267
Member contributions	12	14
Benefits paid	<u>(276)</u>	<u>(258)</u>
Actuarial losses/(gains)	<u>1,264</u>	<u>(98)</u>
Value of Liabilities at 30 September	<u>8,099</u>	<u>6,767</u>

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

22. Retirement Benefits (cont'd)

<u>Analysis of changes in the value of the fund assets over the year</u>	2016	2015
	£'000	Restated £'000
Market value of assets at 1 October	5,038	4,962
Administration expenses	(68)	(112)
Interest income	188	194
Actuarial gains	972	86
Employer contributions	131	152
Member contributions	12	14
Benefits paid	<u>(276)</u>	<u>(258)</u>
Market value of assets at 30 September	<u>5,997</u>	<u>5,038</u>

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 £1.367m.

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 2015 are shown below:

Asset Class	2016	2015 Restated
	£ '000	£ '000
Equities	3,422	2,936
Cash	40	95
Annuities	782	751
Other assets	1,753	1,256
Total Assets	5,997	5,038

Financial Assumptions	12 months to 30 September 2016	12 months to 30 September 2015
Discount Rate	2.40% pa	3.80% pa
Retail prices index (RPI) inflation	3.10% pa	3.00% pa
Consumer prices index (CPI) inflation	2.10% pa	2.00% pa
Salary Increases	3.10% pa	3.00% pa
Rate of increases of pensions in payment: 5% or CPI if less with minimum increase rate of 3% pa	3.10% pa	3.10% pa
2.5% or CPI if less	1.80% pa	1.70% pa
Rate of increase for deferred pensioners	2.10% pa	2.00% pa

Life expectancies	12 months ended 30 September 2016		12 months ended 30 September 2015	
	Years		Years	
	Males	Females	Males	Females
Life expectancy for an individual aged 60	28.8	31.5	29.1	31.8
Life expectancy at aged 60 for an individual aged 40 in 2015	30.7	33.5	31.0	33.8

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2016

23. Financial Commitments

Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases:

	2016		2015	
	Buildings	Other	Buildings	Other
	£ 000	£ 000	£ 000	£ 000
Group and Charity				
- within one year	43	13	29	20
- between one and five years	172	-	172	11
- after five years	64	-	71	-
	<u>279</u>	<u>13</u>	<u>272</u>	<u>31</u>

24. Related Parties

Advantage has been taken of the exemptions available under FRS 102 to not disclose balances with or transactions between The Earl Haig Fund Scotland and The Royal British Legion.

25. Parent Undertaking and Ultimate Controlling Party

The immediate and ultimate parent company is The Royal British Legion, a charity registered in England and Wales (charity number 219279). The financial statements of The Earl Haig Fund Scotland are consolidated into the financial statements of The Royal British Legion. The consolidated financial statements can be obtained from The Royal British Legion at 199 Borough High Street, London, SE1 1AA.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
 For the year ended 30 September 2016

26. a) Consolidated Statement of Financial Activities for the 12 months ended 30 September 2015 (incorporating an Income and Expenditure Account)

	Notes	2015 Unrestricted Funds Restated £'000	2015 Restricted Funds Restated £'000	2015 Total Funds Restated £'000
Income from:				
Donations & legacies	3(a)	3,511	20	3,531
Charitable activities	4(a)	12	118	130
	4(b)	288	115	403
Other trading activities		152	-	152
Investments	5	385	-	385
Other	6	31	-	31
Total income		4,379	253	4,632
Expenditure on:				
Raising funds	7	1,979	-	1,979
Charitable activities				
- Poppy Manufacturing costs	8	416	130	546
- Welfare Services	9	2,249	118	2,367
		2,665	248	2,913
Total Expenditure		4,644	248	4,892
Net gains on investments	15	128	-	128
Net (expenditure)/income		(137)	5	(132)
Transfers between funds		4	(4)	-
Actuarial gains on defined benefit pension scheme	22	184	-	184
Net movement in funds		51	1	52
Reconciliation of funds:				
Total funds brought forward	19(a)	9,414	114	9,528
Total funds carried forward	19(a)	9,465	115	9,580

Note 2a contains details of the restatement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2016

26.b) Company Statement of Financial Activities for the 12 months ended 30 September 2015
(incorporating an Income and Expenditure Account)

	Notes	2015 Unrestricted Funds Restated £'000	2015 Restricted Funds Restated £'000	2015 Total Funds Restated £'000
Income from:				
Donations and legacies	3(a)	3,511	-	3,511
Charitable activities	4(a)	12	118	130
Other trading activities		152	-	152
Investments	5	385	-	385
Other	6	21	-	31
Total income		4,081	118	4,199
Expenditure on:				
Raising funds	7	1,979	-	1,979
Charitable activities				
- Welfare Services	9	2,479	110	2,589
Total expenditure		4,458	110	4,568
Net gains on investments	15	128	-	128
Net (expenditure)/income		(249)	8	(241)
Transfers between funds		4	(4)	-
Actuarial gains on defined benefit pension scheme	22	184	-	184
Net movement in funds		(61)	4	(57)
Reconciliation of funds:				
Total funds brought forward	19(b)	8,740	90	8,830
Total funds carried forward	19(b)	8,679	94	8,773

Note 2a contains details of the restatement.