



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

Year ended 30 September 2017

Charity Registration Number SC014096

Registered Company Number SC194893 (Scotland)

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

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 SEPTEMBER 2017

The Trustees submit their annual report, which incorporates a strategic report, and audited consolidated financial statements for the year ended 30 September 2017.

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 (TRBL) 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.

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: Inappropriate salary levels leading to failure to recruit suitable staff, loss of key staff;

Mitigating response

- i) Job Evaluation system adopted and alignment with TRBL pay scales being adopted
- ii) Appropriate benchmarking being undertaken with charity sector in Scotland
- iii) TRBL appraisal system in use with performance related pay element

- b. Risk: Failure to achieve budgeted fundraising targets from Poppy Appeal and non-Poppy Appeal income streams;

Mitigating response

- i) Business plans and targets in place and reviewed quarterly
- ii) Monitoring success of fundraising initiatives and forecast income levels against budget with the ability to flex budgets and put contingency plans in place as required

- c. Risk: Dilapidation of estate or major property damage leading to major operational breakdown;

Mitigating response

- i) Long term strategic plan to renovate the site
- ii) Regular repairs and maintenance schedule

- d. Risk: Failure of IT software critical to operational administration and finance, e.g. failure and loss of records including penetration by hackers;

Mitigating response

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- i) IT is all managed by TRBL IT Department
 - ii) Appropriate Firewalls are in place and monitored
 - iii) Systems are backed up daily
 - iv) Appropriate insurance cover is in place
- e. Risk: Serious business interruption for Edinburgh site especially relating to Poppy manufacture;
- Mitigating response
- i) Insurance cover in place for loss of revenue equal to £2 million and increased cost of production equal to £100,000
 - ii) Regular repairs schedule
 - iii) Contingency level of Poppy stock maintained

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

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 year under review the investment portfolio generated £393,000 (2016: £379,000) of investment income, together with net valuation gains of £142,000 (2016: £865,000). This is equivalent to 4.2% (2016: 12.6%) on a total return basis, ahead of the uplift in RPI + 2% = 3.9% over the twelve month period to September 2017. The total portfolio valuation as at 30 September 2017 was £10.829 million (2016: £10.765 million).

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.

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The Trustees also recognise that the charity's facilities in Edinburgh, particularly the Poppy Factory, do not meet current standards. A project board has been established to consider the options to address this.

Total funds amount to £10.967 million (2016: £9.858 million) of which free unrestricted reserves amount to £10.068 million (2016: £9.731 million), which represents the trustees' target of maintaining approximately two years of unrestricted expenditure.

Restricted reserves of £899,000 were held at 30 September 2017 (2016: £127,000) 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 £992,000 were held at 30 September 2017 (2016: £832,000) 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.

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

The Poppyscotland Board is constituted in a six member format, appointed by, and including one member of, the Board of Trustees of The Royal British Legion.

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.

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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 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 (who are also directors of The Earl Haig Fund Scotland for the purposes of company law) 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 local providers.

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

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and graded in 2015 with the objective of ensuring that our salaries are fair, competitive and comparable with The Royal British Legion.

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.

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. The manager of the Lady Haig Poppy Factory is part of the Senior management Team of Poppyscotland and the CEO of Poppyscotland is a member of the Board of Trustees of the Lady Haig Poppy Factory. Operational integration with The Royal British Legion is achieved through the CEO's line management.

Poppyscotland Senior Management Team

Chief Executive

Mr M Bibbey

Head of Finance

Mr A J Christie MA (Hons) CA

Head of HR & Administration

Miss P Beattie MA Hons PG Dip MCIPD

Head of Welfare Services

Mr G Gray

Head of Marketing & Commercial Services

Mr F Bedwell

Head of Fundraising

Mr G Michie

The Lady Haig Poppy Factory Manager

Major C Pelling

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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 (resigned 9 December 2016)

Kenneth Barclay

Charles Byrne

Una Cleminson BEM, TD

Professor Alexander Davison

Colonel Allan Lapsley QVRM TD DL

Patrick O'Meara (appointed 12 December 2017)

Chief Executive

Mr Mark Bibbey

Legal Adviser

Gillespie Macandrew LLP
5 Atholl Crescent
Edinburgh
EH3 8EJ

Statutory Auditor

Deloitte LLP
2 New Street Square
London
United Kingdom
EC4A 3BZ

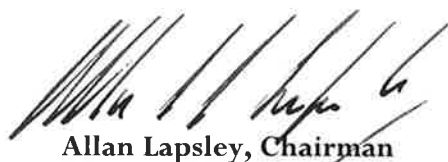
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36 St Andrew Square
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EH2 2YB

Investment Advisers

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

BY ORDER OF THE BOARD



Allan Lapsley, Chairman

23 January 2018

STRATEGIC REPORT

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.

For the year ended 30 September 2017 our specific goals were as follows:

- 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

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

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

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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 in 2016.

b. **Fundraising** Development of Fundraising activities, by:

i. Building on the success of Poppy Appeal activity by developing an 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. Development of our relationship with Legion Scotland.

iv. Development of our Moving Poppy Project and sourcing funding for this learning project to be launched in 2018.

c. **Infrastructure** To 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 2018. The target completion date is 2021 coincident with the 100th anniversary of Poppy Appeal.

d. **Education** To 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.

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 £3.504 million (2016: £2.907 million).

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Some £739,000 was spent directly on supporting 1,589 individuals (2016: £695,000; 1,336 individuals) 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 237 (2016: 225) individuals who enjoyed Poppy Breaks at The Royal British Legion Break Centres or Family Breaks at 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 13 grants at a cost of £1.538 million (2016: 17 grants, £1.096 million) were provided to support charitable activities by organisations delivering services supporting Scotland's Armed Forces community. This includes, for example, grants to Citizens Advice Scotland for the delivery of the Armed Services Advice Project, and the Scottish Association for Mental Health for the Employ-Able programme. Grants were also awarded to assist with funding the work undertaken by organisations such as Combat Stress and Royal Caledonian Education Trust. We continued to work in the criminal justice area, funding Sacro to deliver a disclosure service for veterans with a criminal conviction as well as supporting their Veterans Mentoring Service.

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 £487,000 (2016: £445,000).

Now delivered in 10 regions across Scotland and supported by a National Telephone Helpline provided by Advice Direct Scotland, the service has supported over 11,672 individual clients with some 57,196 new and repeat issues to date. The client financial gain since the start of ASAP is £9.368 million as at 30 September 2017. This equates to approximately £3.93 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 772 (2016: 530) 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 320 people seeking help with problems relating to their finances, housing, employment, health, benefits and debt. During the year our partnership with NHS Highland, in the delivery of Veterans First Point, ended as the service was closed due to a lack of funding. We worked with NHS Highland to ensure that the closure was seamless and that veterans had

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access to appropriate NHS pathways. The relationship with NHS Highland was a successful one with veterans receiving a more holistic service than they might have otherwise and we stand ready to work with them again in the future.

Establishment of Poppyscotland Ayrshire

We have aspired to replicate our successful welfare offering in Inverness and this year, assisted by significant awards from both the MacRobert Trust and the Chancellor using Libor funds this became a reality. A significant amount of work, supported by the Royal British Legion as well as other departments from within Poppyscotland, took place during the year which culminated in us taking over the keys to a fully fitted out office in late September in Kilmarnock which has led to the creation of Poppyscotland Ayrshire. Our new welfare services team was recruited over the summer and have worked to develop the service in order to support the client group efficiently from opening to the public in early October 2017. Strong partnerships have already been developed and the Centre is being promoted as a community asset.

Veterans' Gateway

Veterans' Gateway is led by a consortium comprising The Royal British Legion, SSAFA – the Armed Forces Charity, Combat Stress, Poppyscotland and Connect Assist and provides a first point of contact for those in need. Poppyscotland has fully engaged in the development of the service and ensures that the Scottish dimension is appropriately represented across the Gateway meaning that veterans living in Scotland are helped to identify the most appropriate pathway of support.

Led the Support Pillar of Veterans Scotland:

Until July 2017 we continued to lead the Support Pillar of Veterans Scotland promoting collaborative working through our stewardship of working groups covering Employment, Grants to Individuals and Grants to Organisations as well as participating in the work of the Health and Well Being Pillar. In July 2017 we elected to step down from leading the Support Pillar whilst Veterans Scotland carries out a review into the structure within which they operate. We continue to sit on the Veterans Scotland Executive Committee and participate in Pillar activity where it is appropriate and relevant for us to do so. 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:

Following a lengthy application process we were delighted, on behalf of a 15 member consortium, to secure £4 million of funding from the Aged Veterans Fund, a fund administered by the MOD and resulting from bankers' Libor fines. Through the application process we received invaluable support from Standard Life and in particular a team from their Accelerated Development Support programme to refine the bid. The funding period commenced on 1 July 2017 and will run through until 30 June 2020. Partners come from across the ex-service and civilian charitable sectors and will deliver a range of new services and enhancements in areas including advice, access to healthcare, social isolation, respite and transport, along with creative activities and events for those in care settings.

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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. Our expenditure across our employment services has been £171,000 (2016: £140,000), the most prominent of these services being our Employ-Able programme, a partnership with the Scottish Association for Mental Health (SAMH). Employ-Able has helped 209 (2016: 103) 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. We consider that the reasons for this significant uplift are: expansion of the Veterans First Point service (our main referrer), greater awareness of the programme and enhanced relationships with both Combat Stress and the Department for Work and Pensions.

This year we facilitated two LifeWorks courses in Scotland as well as supporting a number of veterans to attend training elsewhere in the UK. A combined total of 28 individuals participated 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.

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 36 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 year was £885,263 and £853,628 respectively (2016: £943,721 and £886,888 respectively). Sales of poppies to Poppyscotland and related activities, such as refurbishing poppy tins, undertaken on behalf of Poppyscotland amounted to £351,931, a decrease on the previous year total of £451,130 due largely to a delay in orders being required for Poppyscotland Area Organisers; wreath sales increased from £348,127 to £390,995. An increasing number of orders for wreaths are being received through the Factory's online shop, which is proving increasingly popular with new customers.

b. Fundraising

During this financial year a full review and restructure of the fundraising team was undertaken to ensure that we can deliver on the increased challenges of growing the annual Scottish Poppy Appeal, driving forward all year round fundraising activities to support our core welfare provision. This restructure also took into consideration the long term strategic goal of ensuring that our learning work was fit for purpose and ties together with our legacy project of delivering the Moving Poppy for 2018.

Increased income obtained from The Scottish Poppy Appeal:

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Income from all sources attributed to the Scottish Poppy Appeal amounted to £2.875 million (2016: £2.864 million), in line with the previous year and some 3.8% ahead of target due specifically to increased collector presence at supermarkets and transport hubs. This year's Appeal benefited from an extra weekend and favourable weather conditions for the majority of the period. The continuing strategy of working with our Area Organisers to use supermarkets, out of town shopping centres and transport hubs as preferred points of collection has continued and proved successful.

The Volunteer Coordinator role has been realigned to the Poppy Appeal team. This has had a positive impact on our relationship with Area Organisers and ensured that we have kept apace with ongoing recruitment and development. During the year almost 75 Area Organisers retired. A significant recruitment campaign generated over 200 enquiries, resulting in over 60 new Area Organisers and 98 new collectors being recruited.

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. The volunteer support is principally in connection with the fundraising work primarily related to the Scottish Poppy Appeal. The country is split geographically into approx. 450 sub regions with a lead volunteer known as an Area Organiser who leads teams of varying sizes to support the collections in that particular area by ensuring that poppies and tins are located across their territory to ensure that every community in Scotland has access to a poppy to wear during the Remembrance period, there after ensuring that all monies for their area is banked, poppies and tins returned in preparation for the next years 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 40,000 hours which insures that the Scottish Poppy Appeal can generate the income that it does annually to support our wider welfare services. We are indebted to all of our supporters for their enthusiastic help out-with the Poppy Appeal.

Income from non-Poppy Appeal sources:

Income raised from donations, legacies and other trading activities such as raffles and events amounted to £740,000 (2016: £880,000). This reduction was due primarily to a £241,000 reduction in legacy income, which was partially offset by the success of the revised Raffle concept and the increased participation in the Sportive. Now in its fourth year the Sportive continues to grow and be a flagship in our calendar and this year 900 cyclists registered (2016: 600). It was notably voted as the third best Sportive in Scotland by Sportive.com, one of the leading cycling websites for road cyclists. An events strategy review was undertaken and we will work towards delivering two mass participation events annually from 2018.

The #Teampoppy concept was introduced. This is where individual members of the public participate in a sponsored event of their own choice and fundraise on behalf of Poppyscotland. This increased our public participation in third party events from 16 people in 2016 to 118 people in 2017. This is a seven fold increase in participation.

The re-engineered raffle concept which was brought in house and jointly delivered with the newsletter, rather than continuing the previous relationship with TRBL, was introduced in this financial year. We have seen an increase in income from this approach of delivering the newsletter and the raffle as part of a joined up fundraising approach.

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The Moving Poppy project was launched in 2017. It is an ambitious and bold project taking elements of our museum collection, key parts of Lady Haig's Poppy Factory tour experience, digital interpretation and learning facilities on the road. The unit will tour Scotland from late Autumn 2018 as a legacy to commemorate the centenary of the end of the First World War and will also support the fundraising associated with the centenaries of the first Poppy Appeal in 2021 and the opening of Lady Haig's Poppy Factory in 2026. It will start conversations about the poppy, Remembrance and veterans. We successfully received Stage 1 funding from the Heritage Lottery Fund and permission to move forward to Stage 2. Crucially we were awarded £730,000 from LIBOR funds for this project which allows us to have a strong foundation on which to realise the remaining money from the Heritage Lottery Fund, other Trusts and Foundations and corporates.

Now in its second full year the Corporate Fundraising Strategy is beginning to strengthen many UK wide and Scotland only relationships. These relationships are crucial in the long term redevelopment of the Lady Haig Poppy Factory and the short term relationships that will be generated around the 100th Centenary commemorations of the end of WW1.

Given the recognition of the importance yet volatile nature of legacy income to the charity's income streams, the decision was taken to initiate a legacy review which was completed in the financial year and will be further rolled out in 2018 with a more defined fundraising call to action that encompasses a donor journey for all our supporters.

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:

In April 2017, Poppyscotland entered into a collaborative contract with The Royal British Legion Group for statutory facilities management provision with their new contractor Arthur McKay, subsumed into the Servest Group in mid-2017. This decision was taken following a strategic review of how the Legion should maintain its properties and a competitive tender process to ensure value for money. The aim of the new contract is to deliver a higher quality facilities management service at a lower cost and ensure Poppyscotland, as a member of the TRBL Group of charities, is compliant for all health and safety statutory matters.

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, namely to ensure health and safety compliance and that disability access and facilities are improved. A Project Board was formed in May 2017, architects were procured in August 2017 and a fully costed plan will be presented in 2018. 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:

The Sowing the Poppy Seed programme continues to be positively received by schools across the country. It is a combined approach of on-line resources for teachers following the Curriculum for Excellence and an inspiring annual competition to engage young people with the concept of Remembrance and highlight the welfare offering of Poppyscotland.

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The stage one application for funding from the Heritage Lottery Fund 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 – has been successful, and the money awarded in March 2017 was to cover the cost of submitting the Stage 2 application of which the outcome is awaited in March 2018.

GROUP FINANCIAL REVIEW

Income for the 12 month period to 30 September 2017 amounted to £6.402 million (2016: £4.716 million).

Unrestricted income amounted to £5.115 million (2016: £4.468 million)

Donations and legacies. The majority of the company's income comes from The Scottish Poppy Appeal, which raised £2.875 million (2016: £2.864 million), equivalent to 56% (2016: 61%) of unrestricted income. This level of monetary support is an encouraging reflection of 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 £726,000 (2016: £819,000), a 13% reduction on the previous year due primarily to a significant reduction of £241,000 in the level of legacy income

Income from charitable activities. The Royal British Legion and the Officers Association Scotland provided grant support of £700,000 and £3,000 respectively (note 4a). The grant from the Royal British Legion was made as a result of Poppyscotland's budgeted deficit of £661,977 for 2016-17 being approved by the Board of Trustees of the Royal British Legion.

The Lady Haig Poppy Factory supported group activities with the production and distribution of poppies, wreaths and Remembrance Crosses and contributed £384,000 to group income on a consolidated basis (2016: £319,000) (note 4b).

Investment income

The investment portfolio continued to provide additional income of £393,000 (2016: £379,000), equivalent to an average yield of 3.65% (2016: 3.83%) with a further £4,000 (2016: £8,000) of bank interest being received (note 5).

Other income of £30,000 was received from a variety of sources including rents receivable (note 6).

Unrestricted expenditure for the 12 month period to 30 September 2017 amounted to £5.154 million (2016: £4.779 million).

The cost to the group of generating funds amounted to £2.160 million (2016: £2.104 million) and reflects the established policy of controlling costs in the face of an increasingly challenging fundraising environment.

The cost of activities in furtherance of the company's charitable objectives, which includes the provision of employment by The Lady Haig Poppy Factory and Poppyscotland's welfare services provision amounted to £2.994 million (2016: £2.675 million) and reflects the continuing level of resource required to support the needs of the ex-Service community in Scotland.

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 £548,000 (2016: 36 veterans at a total cost of £497,000).

Financial assistance of £739,000 was provided directly to support veterans or their dependents (2016: £695,000) and £1.350 million (2016: £874,000) was allocated to support the activities of other charitable organisations providing services and support to the service and ex-Service communities.

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The unrestricted surplus amounted to £103,000 (2016: £554,000) due principally to net investment gains of £142,000 (2016: £865,000). Following transfers between funds and actuarial losses of £229,000 in respect of the defined benefit pension scheme, the group has total unrestricted funds of £10.068 million (2016: £9.731 million).

Restricted income and expenditure for the 12 month period to 30 September 2017 amounted to £1.287 million (2016: £248,000) and £510,000 (2016: £232,000) respectively.

Following a marked increase in Poppyscotland's involvement in a variety of special initiatives, restricted funding was received for the following projects:-

Initiative	Donor	Received £ 000	Spent £000
Armed Services Advice Project (ASAP)	Army Benevolent Fund	52	62
	Royal Navy Royal Marines Trust	10	10
	SSAFA Scottish Resources Committee	10	10
	The RAF Benevolent Fund	20	20
The Moving Poppy	LIBOR	183	-
	Heritage Lottery Fund	13	10
Kilmarnock Drop-in Centre	LIBOR	250	-
	The MacRobert Trust	67	62
Aged Veterans Fund	Ministry of Defence	545	199
Far Far from Ypres	Various	8	-
	Veterans Scotland	-	4
	Total	1,158	377
	Note	4(a)	9

In addition, the Lady Haig Poppy Factory received an Employment Services Grant of £115,000 from Jobcentre Plus (2016: £117,000), and other donation income of £14,000 (2016: £12,000). Restricted fund expenditure of £133,000 (2016: £129,000) was recognised under welfare services in relation to the higher production costs incurred by the Lady Haig Poppy Factory as a result of the charitable basis on which it is operated.

The restricted surplus before transfers amounted to £777,000 (2016: £16,000) and is available to fund the initiatives highlighted in the above table from October 2017.

Following transfers between funds the group has total restricted funds of £899,000 (2016: £127,000).

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 the company and are managed by independent trustees. Given the financial strain on this type of pension scheme it will close to future accrual with effect from 31 March 2018. The scheme has three remaining active members.

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 £1.914 million as at 30 September 2017 (2016: £2.102 million) as reported in Note 22 of the financial statements. The deficit continues to be our major liability.

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

After 2002, new eligible members of staff were offered the opportunity to contribute to a money-purchase scheme funded by both the employee and the company. Following the introduction of The Pensions Act 2008 and Poppyscotland's staging date of August 2015 all eligible staff are automatically enrolled into a pension scheme.

Net Income. Net income amounted to £880,000 (2016: £570,000) due principally to net investment gains of £142,000 (2016: £865,000) and a surplus of £777,000 in respect of restricted funding streams (2016: £16,000). Following transfers between funds and actuarial gains of £229,000 in respect of the defined benefit pension scheme (2016: actuarial loss of £292,000), the group has total funds of £10.967 million (2016: £9.858million).

Going Concern. Poppyscotland has been a subsidiary of The Royal British Legion since June 2011. 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 for at least one year from the date of signing the financial statements.

PLANS FOR THE FUTURE

The following objectives have been set and agreed by the Board as integral to the 2017-18 business plan for the period from October 2017 to September 2018.

- 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 operations³ 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.
 - ii. Establishing Poppyscotland Ayrshire as a valuable and essential resource for the Armed Forces community in that area.
 - iii. Leading the Unforgotten Forces consortium to ensure that veterans over the age of 65 receive the most holistic and appropriate support.
- b. **Fundraising.** Development of Fundraising activities including by:
 - i. Building on the success of Poppy Appeal activity by ensuring our volunteer management is effective.
 - ii. Development of year round fundraising including an events programme and direct marketing, building our supporter base and developing our legacy strategy.
 - iii. Continuing to develop our relationship with Legion Scotland.
 - iv. Launching a Centenary Fundraising Challenge to commemorate the end of WW1.

³ Tailored Support and funding to individuals and organisations, advice, employment, mobility, housing, mental health and respite breaks

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

- v. Working in partnership with TRBL surrounding the WW100 anniversaries.
- vi. Developing fundraising plans and strategy for the potential redevelopment of the Lady Haig Poppy Factory.
- c. Infrastructure. To ensure compliance with statutory obligations, by being a part of TRBL's facilities management contract and progressing with plans for the refurbishment of the Lady Haig Poppy Factory which will improve health and safety and disabled access.
- d. Education. To provide education activities that create public awareness of the work of Poppyscotland and support for our welfare services.

To progress the plans 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 – with a view to launching it in November 2018

To ensure that the broader education requirement is included in the refurbishment of the Poppy Factory providing a more balanced and rounded delivery of learning encompassing our partners within Legion Scotland and The Lady Haig Poppy Factory.

BY ORDER OF THE BOARD



Allan Lapsley, Chairman

23 January 2018

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

Report on the audit of the financial statements

Opinion

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 2017 and of the group's and parent charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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.

We have audited the financial statements of the Earl Haig Fund Scotland (the 'charitable company') and its subsidiary (the 'group') which comprise:

- the consolidated and company statements of financial activities (incorporating an income and expenditure account);
- the consolidated and company balance sheets;
- the consolidated 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and of the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent charitable company's ability

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

to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Report of the Trustees, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 charitable company'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 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Trustees, which includes the strategic report and the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Report of the Trustees have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report included within the Report of the Trustees.


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

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate and proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Reza Motazedi, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

5/21 2018

Deloitte LLP is eligible for appointment as auditor for the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
Consolidated Statement of Financial Activities for year ended 30 September 2017
(incorporating an Income and Expenditure Account)

	Notes	2017 Unrestricted Funds	2017 Restricted Funds	2017 Total Funds	2016 Total Funds
		£'000	£'000	£'000	£'000
Income from:					
Donations and legacies	3(b)	3,445	14	3,459	3,683
Charitable activities					
Welfare grants	4(a)	703	1,158	1,861	132
Trading activities	4(b)	384	115	499	436
Other trading activities		156	-	156	61
Investments	5	397	-	397	387
Other	6	30	-	30	17
Total Income		5,115	1,287	6,402	4,716
Expenditure on:					
Raising funds	7	(2,160)	-	(2,160)	(2,104)
Charitable activities					
- Poppy manufacturing costs	8	(548)	(133)	(681)	(626)
- Welfare services	9	(2,446)	(377)	(2,823)	(2,281)
		(2,994)	(510)	(3,504)	(2,907)
Total Expenditure		(5,154)	(510)	(5,664)	(5,011)
Net gains on investments	15	142	-	142	865
Net income		103	777	880	570
Transfers between funds		5	(5)	-	-
Other recognised gains/(losses):					
Actuarial gains/(losses) on defined benefit pension scheme	22	229	-	229	(292)
Net movement in funds		337	772	1,109	278
Reconciliation of funds:					
Total funds brought forward	19	9,731	127	9,858	9,580
Total funds carried forward	19	10,068	899	10,967	9,858

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.

The notes on pages 29 to 48 form part of the financial statements.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
Company Statement of Financial Activities for year ended 30 September 2017 (incorporating an Income and Expenditure Account)

	Notes	2017 Unrestricted Funds	2017 Restricted Funds	2017 Total Funds	2016 Total Funds
		£'000	£'000	£'000	£'000
Income from:					
Donations and legacies	3(a)	3,434	-	3,434	3,659
Charitable activities	4(a)	703	1,158	1,861	132
Other trading activities		155	-	155	61
Investments	5	397	-	397	387
Other	6	30	-	30	17
Total Income		4,719	1,158	5,877	4,256
Expenditure on:					
Raising funds	7	(2,160)	-	(2,160)	(2,104)
Charitable activities	9	(2,634)	(377)	(3,011)	(2,503)
Total Expenditure		(4,794)	(377)	(5,171)	(4,607)
Net gains on investments	15	142	-	142	865
Net income		67	781	848	514
Transfers between funds		5	(5)	-	-
Other recognised gains/(losses):					
Actuarial gains/(losses) on defined benefit pension scheme	22	229	-	229	(292)
Net movement in funds		301	776	1,077	222
Reconciliation of funds:					
Total funds brought forward	19	8,889	106	8,995	8,773
Total funds carried forward	19	9,190	882	10,072	8,995

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.

The notes on pages 29 to 48 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 2017

As at 30 September 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Fixed Assets					
Tangible assets	13	844	681	844	681
Investment in subsidiary	14	-	-	1	1
Investments	15	10,829	10,765	10,829	10,765
		<u>11,673</u>	<u>11,446</u>	<u>11,674</u>	<u>11,447</u>
Current Assets					
Stock	16	410	314	-	-
Debtors	17	303	309	215	197
Cash at bank		1,110	473	1,051	416
		<u>1,823</u>	<u>1,096</u>	<u>1,266</u>	<u>613</u>
Liabilities					
Creditors: amounts falling due within one year	18	(615)	(582)	(954)	(963)
Net current assets/(liabilities)		<u>1,208</u>	<u>514</u>	<u>312</u>	<u>(350)</u>
Total assets less current liabilities		<u>12,881</u>	<u>11,960</u>	<u>11,986</u>	<u>11,097</u>
Defined benefit pension scheme liability	22	(1,914)	(2,102)	(1,914)	(2,102)
TOTAL NET ASSETS		<u><u>10,967</u></u>	<u><u>9,858</u></u>	<u><u>10,072</u></u>	<u><u>8,995</u></u>
Funds					
	19				
Unrestricted Funds					
Revaluation reserve		1,395	1,256	1,395	1,256
General fund		9,595	9,745	8,717	8,903
General funds excluding pension liability		<u>10,990</u>	<u>11,001</u>	<u>10,112</u>	<u>10,159</u>
Pension reserve		(1,914)	(2,102)	(1,914)	(2,102)
Total general funds		<u>9,076</u>	<u>8,899</u>	<u>8,198</u>	<u>8,057</u>
Designated funds		<u>992</u>	<u>832</u>	<u>992</u>	<u>832</u>
Total unrestricted funds		<u>10,068</u>	<u>9,731</u>	<u>9,190</u>	<u>8,889</u>
Restricted funds		<u>899</u>	<u>127</u>	<u>882</u>	<u>106</u>
Total Funds		<u><u>10,967</u></u>	<u><u>9,858</u></u>	<u><u>10,072</u></u>	<u><u>8,995</u></u>

The financial statements on pages 25 to 48 were approved by the Trustees, authorised for issue and signed on their behalf by:-



Allan Lapsley, Chairman

23 January 2018

Registered Company No: SC194893

The notes on pages 29 to 48 form part of the financial statements.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
Consolidated Cash Flow Statement for year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities	21	364	(537)
Cash flows from investing activities			
Dividends and interest from investments	5	397	387
Proceeds from sale of investments	15	100	11
Purchase of investments	15	(22)	(31)
Purchase of property, plant and equipment	13	(202)	-
Net cash provided by investing activities		<u>273</u>	<u>367</u>
Change in cash and cash equivalents in the reporting period		<u>637</u>	<u>(170)</u>
Cash and cash equivalents at the beginning of the year		473	643
Cash and cash equivalents at the end of the year		<u><u>1,110</u></u>	<u><u>473</u></u>

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

The notes on pages 29 to 48 form part of the financial statements.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

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 Pound 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 2016) (Charities SORP 2015), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

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 13 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.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

The pension reserve reflects the excess of pension liabilities as calculated during the actuarial valuation exercise provided under FRS102 as at 30 September 2017.

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.

A significant amount of donations received by the charity is due to the unstinting work of the many volunteers involved in ensuring the success of the annual Poppy Appeal and the diverse other fundraising activities undertaken on behalf of the charity. It is recorded in the Strategic Report that volunteers contribute some 40,000 hours of voluntary assistance during the year for which no income benefit is recorded in the financial statements.

Income from investments and bank interest is recognised and accrued in the period in which it is receivable

f) Expenditure

Expenditure is recognised 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 dependents and other charitable organisations working to relieve distress amongst members of the Armed Forces Community;
- 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) Cost Allocation

Governance and indirect general support and overhead costs as scheduled in note 10 of the financial statements have been allocated across the core functions on the basis of staff numbers within the respective functions of expenditure.

h) Tangible Fixed Assets and Depreciation

Capital purchases equal to or greater than £50,000 are capitalised. Depreciation is provided on such tangible assets at rates calculated to write off the cost on a straight line basis over their expected useful economic lives as follows:-

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

Land	-	Nil
Buildings	-	50 years
Leased property	-	Period of lease
Information technology and other equipment	-	1 – 5 years

i) 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.

j) 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 workforce 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”, within “expenditure on charitable activities”, and expensed in the financial period during which stock is purchased.

k) 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).

All financial assets and liabilities held by the group are classified as basic financial instruments. 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.

l) 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

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

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. 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.

m) 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 depend on a number of complex judgements relating to the 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.

3. Donations and Legacies	2017	2016
	£'000	£'000
a) Company		
The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
Poppy Collection	2,875	2,864
Donations	380	358
Events	68	85
Legacies	111	352
	<hr/>	<hr/>
Company Unrestricted	3,434	3,659
	<hr/> <hr/>	<hr/> <hr/>
b) Company and Group		
The Earl Haig Fund Scotland (per above)	3,434	3,659
 The Lady Haig Poppy Factory		
Donations - unrestricted	11	12
Donations - restricted	14	12
	<hr/>	<hr/>
Company and Group Total	3,459	3,683
	<hr/> <hr/>	<hr/> <hr/>

The total number of poppies distributed on behalf of the Scottish Poppy Appeal in the 12 months to 30 September 2017 was 4,581,100 (12 months to September 2016: 4,192,300).

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

4. Charitable Activities	2017	2016
	£'000	£'000
(a) The Earl Haig Fund Scotland		
<u>Unrestricted</u>		
The Sandilands Memorial Trust	-	10
The Officers Association Scotland	3	3
The Royal British Legion	700	-
	<hr/>	<hr/>
Company and Group Unrestricted	703	13
	<hr/>	<hr/>
<u>Restricted</u>		
The Army Benevolent Fund	52	52
The Royal Navy Royal Marines Trusts	10	8
SSAFA Scottish Resources Committee	10	10
The Scottish Veterans Fund	-	4
Seafarers UK	-	25
The RAF Benevolent Fund	20	20
HM Treasury	433	-
The MacRobert Trust	67	-
Ministry of Defence	545	-
Heritage Lottery Fund	13	-
Far, Far from Ypres	8	-
	<hr/>	<hr/>
Company and Group Restricted	1,158	119
	<hr/>	<hr/>
Company and Group Total	1,861	132
	<hr/> <hr/>	<hr/> <hr/>
	2017	2016
	£'000	£'000
(b) The Lady Haig Poppy Factory		
<u>Unrestricted</u>		
Sales of Remembrance items	384	319
	<hr/>	<hr/>
<u>Restricted</u>		
Jobcentre Plus Employment Services grant	115	117
	<hr/>	<hr/>
Group Total	499	436
	<hr/> <hr/>	<hr/> <hr/>
5. Investment Income	2017	2016
	£'000	£'000
Income from listed investments	371	359
Income from deposit interest	4	8
Investment management fee rebate	22	20
	<hr/>	<hr/>
Company and Group Total	397	387
	<hr/> <hr/>	<hr/> <hr/>

Included in investment income is £7,000 received by the Sandilands Memorial Trust portfolio.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

6. Other	2017	2016
	£'000	£'000
The Earl Haig Fund Scotland		
Rental income	13	13
Miscellaneous income	17	4
	<hr/>	<hr/>
Company and Group Total	30	17
	<hr/> <hr/>	<hr/> <hr/>
7. Expenditure on Raising Funds	2017	2016
	£'000	£'000
<u>Direct costs</u>		
Salaries, National Insurance and pension costs	632	635
Other supporting costs	965	826
Purchase of poppies and crosses from Lady Haig Poppy Factory	173	262
	<hr/>	<hr/>
	1,770	1,723
<u>Indirect costs</u>		
Salaries, National Insurance and pension costs	249	237
Other supporting costs	141	144
	<hr/>	<hr/>
	390	381
	<hr/>	<hr/>
Company and Group Total	2,160	2,104
	<hr/> <hr/>	<hr/> <hr/>
	2017	2016
	£'000	£'000
8. Poppy Manufacturing Costs		
Salaries, National Insurance and pension costs	726	694
Materials consumed	102	74
(Increase)/decrease in finished goods	(107)	3
Operating expenses	115	105
Welfare	18	12
	<hr/>	<hr/>
	854	888
Deduct purchase of poppies and crosses from Lady Haig Poppy Factory	(173)	(262)
	<hr/>	<hr/>
Group Total	681	626
	<hr/> <hr/>	<hr/> <hr/>
Analysed as follows:-		
Unrestricted activities	548	497
Restricted activities	133	129
	<hr/>	<hr/>
	681	626
	<hr/> <hr/>	<hr/> <hr/>

Note 10

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

9. Welfare Services	2017	2016
a) Company		
(i) Grants to individuals		
Annual review cases	No.	No.
At 1 October	87	101
Withdrawals	(5)	(14)
	<hr/>	<hr/>
At 30 September	82	87
	<hr/> <hr/>	<hr/> <hr/>
Individual cases	1,485	1,218
	<hr/> <hr/>	<hr/> <hr/>
Annual Pension Grants to ex-Factory employees	17	17
	<hr/> <hr/>	<hr/> <hr/>
Unrestricted	£'000	£'000
Individual cases	624	572
Annual review cases	107	115
Annual Pension Grant to ex-Factory employees	8	8
	<hr/>	<hr/>
Grants to individuals	739	695
	<hr/> <hr/>	<hr/> <hr/>
	2017	2016
	£'000	£'000
(ii) Grants to other organisations		
Unrestricted		
The Royal British Legion Scotland	222	83
The Lady Haig Poppy Factory	236	222
Veterans Scotland	1	2
Soldiers Sailors Air Force Families Association	6	5
Horseback UK	-	4
Combat Stress	25	25
Citizens Advice Scotland	385	342
Royal British Legion Industries	30	28
The Regular Forces Employment Association	-	20
Sacro	10	25
Royal Caledonian Educational Trust	4	9
Community Veterans Support	-	9
Scottish Association for Mental Health	141	112
Miscellaneous	13	12
	<hr/>	<hr/>
	1,073	898
	<hr/> <hr/>	<hr/> <hr/>
	2017	2016
	£'000	£'000
Indirect costs		
Salaries, National Insurance and pension costs	65	63
Other supporting costs	23	32
	<hr/>	<hr/>
	88	95

Note 10

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

<u>Restricted</u>		
Ministry of Defence	199	-
Veterans Scotland	4	-
The MacRobert Trust	62	-
Citizens Advice Scotland	102	103
Heritage Lottery Fund	10	-
	377	103
Grants to other organisations	1,538	1,096
9. (b) Welfare support costs	2017	2016
	£'000	£'000
<u>Direct costs</u>		
Salaries, National Insurance and pension costs	340	328
Other supporting costs	108	120
	448	448
<u>Indirect costs</u>		
Salaries, National Insurance and pension costs	224	194
Other supporting costs	62	70
	286	264
	734	712
	2017	2016
	£'000	£'000
Total Welfare Costs Company		
Grants to individuals	739	695
Grants to other organisations	1,538	1,096
Welfare support	734	712
	3,011	2,503
Total Welfare Costs Group		
Grants to individuals	739	695
Grants to other organisations	1,538	1,096
Less grant towards production costs of Lady Haig Poppy Factory	(188)	(222)
	1,350	874
Welfare support	734	712
	2,823	2,281
	2,823	2,281

Note 10

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

Analysed as follows:-		
Unrestricted activities	2,634	2,400
Restricted activities	377	103
Company	3,011	2,503
Unrestricted activities	2,446	2,178
Restricted activities	377	103
Group	2,823	2,281

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 £30,000 (2016: £30,000):

- The Royal British Legion Scotland
- Soldiers Sailors Air Force Families Association
- Veterans Scotland
- The Officers' Association Scotland
- The Scottish Veterans' Garden City Association
- 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 Costs 2017 £'000	General Overheads 2017 £'000	Staff Costs 2016 £'000	General Overheads 2016 £'000
Raising funds	249	141	237	144
Charitable activities	224	62	194	70
Support to other organisations	65	23	63	32
	538	226	494	246

Governance costs of £20,000 (2016: £36,000) have been included in general overheads, and split equally across the cost of raising funds and charitable activities and allocated accordingly. Governance costs include statutory auditor's remuneration of £18,000 (2016: £11,000) for the Earl Haig Fund Scotland, and £8,000 (2016: £9,000) for the subsidiary.

Net income is stated after charging £49,000 (2016: £50,000) for operating lease rentals.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

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	
	2017	2016	2017	2016
	No.	No.	No.	No.
Raising funds	17	15	17	15
Charitable activities	42	45	9	9
Support	16	16	10	11
	<u>75</u>	<u>76</u>	<u>36</u>	<u>35</u>

The aggregate remuneration comprised:

	Group		Charity	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Wages and salaries	1,724	1,665	1,097	1,054
Social security costs	145	137	102	98
Other pension costs	367	349	316	305
	<u>2,236</u>	<u>2,151</u>	<u>1,515</u>	<u>1,457</u>

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

	2017	2016
	No.	No.
£80,000 - £90,000	<u>1</u>	<u>-</u>

The key management personnel of the group comprise 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 was £106,000 (2016: £101,000).

Trustees' Remuneration

No trustee of the Charity or its subsidiary received remuneration during the year. Two trustees were reimbursed for expenses during the current year to the sum of £163 (2016: 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. Accordingly, no tax expense has been recognized in these financial statements.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

13. Tangible Fixed Assets

Group and Company	Property Freehold £'000	Property Short Lease £'000	Information Technology £'000	Total £000
Cost				
At 1 October 2016	864	91	65	1,020
Additions	-	202	-	202
At 30 September 2017	864	293	65	1,222
Depreciation				
At 1 October 2016	282	31	26	339
Charge for period	17	9	13	39
At 30 September 2017	299	40	39	378
Net Book Value				
At 30 September 2017	565	253	26	844
Net Book Value At 1 October 2016	582	60	39	681

Included in Property Freehold is an amount of £26,000 (2016: £26,000) in respect of land which has not been depreciated.

14. Investment in Subsidiary

	2017 £'000	2016 £'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 SC016682), whose principal activity is the employment of disabled ex-service personnel to manufacture poppies and wreaths. Poppyscotland provides factory space to the Lady Haig Poppy Factory Limited at nil consideration. It is not considered possible to estimate the value of this benefit.

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

	2017 £'000	2016 £'000
Total income	885	944
Total expenditure	(854)	(887)
Net income for the year	31	57

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

Current assets	949	916
Current liabilities	(52)	(51)
Net Assets	897	865

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
 NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 For the year ended 30 September 2017

15. Investments

Group and Company	2017 £'000	2016 £'000
Market value of listed securities at 1 October	10,765	9,880
Additions	22	31
Disposal proceeds	(100)	(11)
Unrealised gain during the period	142	865
Market value of listed securities at 30 September	10,829	10,765
Investment categories in UK:		
Bonds	5,547	5,406
Equities	4,218	4,159
Other	1,064	1,200
Market value of listed securities at 30 September	10,829	10,765
Cost at 30 September: listed securities	9,434	9,509
Cost at 30 September	9,434	9,509
Revaluation reserve	1,395	1,256
Market Value at 30 September	10,829	10,765

The Earl Haig Fund Scotland is the beneficial owner of the investment portfolio valued at £10.829 million or which £182,774 is designated as under the Sandilands Memorial Trust.

16. Stock	Group	Company	Group	Company
	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Finished goods	338	-	231	-
Work in progress	72	-	83	-
	410	-	314	-
17. Debtors	Group	Company	Group	Company
	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Trade debtors	77	-	89	-
Other debtors	60	60	77	76
Prepayments	166	155	143	121
	303	215	309	197

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
 NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 For the year ended 30 September 2017

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
18. Creditors: Amounts falling due within one year				
The Royal British Legion	121	121	126	126
The Lady Haig Poppy Factory	-	391	-	432
Grants payable	-	-	45	45
Trade creditors	11	-	7	-
Accruals	268	235	68	55
Tax and social security	39	31	37	30
Sundry creditors	176	176	299	275
	615	954	582	963

19. Funds

	Balance at 1 October 2016 £'000	Income £'000	Expenditure £'000	Other gains/ (losses) £'000	Transfer between Funds £'000	Balance 30 September 2017 £'000
(a) Group						
Restricted Funds	127	1,287	(510)	-	(5)	899
Unrestricted Funds						
<u>Designated Funds</u>						
Sandilands Memorial Trust	151	7	-	2	(12)	148
Capital Reserve	681	-	-	-	163	844
	832	7	-	2	151	992
Revaluation reserve	1,256	-	-	-	139	1,395
General Fund	9,745	5,108	(5,113)	140	(285)	9,595
	11,001	5,108	(5,113)	140	(146)	10,990
Pension Reserve	(2,102)	-	(41)	229	-	(1,914)
Total unrestricted funds	9,731	5,115	(5,154)	371	5	10,068
Total Funds	9,858	6,402	(5,664)	371	-	10,967

	Balance at 1 October 2016 £'000	Income £'000	Expenditure £'000	Other gains/ (losses) £'000	Transfer between Funds £'000	Balance at 30 September 2017 £'000
(b) Company						
Restricted Funds	106	1,158	(377)	-	(5)	882
Unrestricted Funds						
<u>Designated Funds</u>						
Sandilands Memorial Trust	151	7	-	2	(12)	148
Capital Reserve	681	-	-	-	163	844
	832	7	-	2	151	992
Revaluation reserve	1,256	-	-	-	139	1,395
General Fund	8,903	4,712	(4,753)	140	(285)	8,717
	10,159	4,712	(4,753)	140	(146)	10,112

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2017

Pension Reserve	(2,102)	-	(41)	229	-	(1,914)
Total unrestricted funds	8,889	4,719	(4,794)	371	5	9,190
Total funds	8,995	5,877	(5,171)	371	-	10,072

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.

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.

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	844	-	-	844
Investments	148	-	10,681	10,829
Current assets	-	1,032	791	1,823
Current liabilities	-	(133)	(482)	(615)
Long-term liabilities	-	-	(1,914)	(1,914)
Total net assets at 30 September 2017	992	899	9,076	10,967

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

	Designated Funds £'000	Restricted Funds £'000	General Funds £'000	Total Funds £'000
b) Company				
Fund balances are represented by:				
Tangible fixed assets	844	-	-	844
Investments	148	-	10,682	10,830
Current assets	-	1,015	251	1,266
Current liabilities	-	(133)	(821)	(954)
Long-term liabilities	-	-	(1,914)	(1,914)
Total net assets at 30 September 2017	992	882	8,198	10,072

21. Note to the Cash Flow Statement	2017	2016
Reconciliation of net income to net cash flow from operating activities	£'000	£'000
Net income for the reporting period	880	570
Adjustments for:		
Depreciation charges	39	39
Gains on investments	(142)	(865)
Dividends and interest from investments	(397)	(387)
Increase in stocks	(96)	(18)
Decrease in debtors	6	71
Increase/(decrease) in creditors	33	(28)
Adjustment for pension funding	<u>41</u>	<u>81</u>
Net cash used in operating activities	<u>364</u>	<u>(537)</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. Employer contributions amounted to £102,516 (2016:£113,208).

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. Employer contributions amounted to £35,878 (2016: £30,089).

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.

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

As part of the triennial reporting process an actuarial valuation was carried out as at 31 March 2016 and reported a scheme deficit of £1,233 million. As a result, and in order to make inroads into the reported deficit, the employer agreed to make an initial payment of £100,000 into the scheme by August 2017 along with annual deficit contributions of £75,000 with effect from 1 July 2017 until 30 April 2025, increasing by 3% annually from July 2018. In addition, the employer will continue to make annual contributions of £50,000 as an allowance towards scheme expenses. The actuary has stated within his report dated 28 January 2017 that these agreed contributions are expected to improve the funding level from the reported position of 79% at March 2016 to 85% by March 2019. During the financial period under review employer contribution on behalf of active employees amounted to £33,508.

The ongoing scheme funding contribution has been set at 33.7% of gross pensionable salary.

Amounts recognised in the Statement of financial activities

	12 months to 30 September 2017 £'000	12 months to 30 September 2016 £'000
<u>Analysis of amounts charged against net income</u>		
Current service cost	39	78
Administration expenses	168	68
Net interest	<u>50</u>	<u>66</u>
Total cost recognised	257	212
Actuarial (gains)/losses on liabilities	<u>(229)</u>	<u>292</u>
Total decrease in net funds recognised at 30 September	<u>28</u>	<u>504</u>
<u>Reconciliation to the Balance Sheet at 30 September</u>		
	2017 £'000	2016 £'000
Market value of assets	5,541	5,997
Present value of liabilities	<u>(7,455)</u>	<u>(8,099)</u>
Deficit in the Fund	<u>(1,914)</u>	<u>(2,102)</u>
<u>Analysis of changes in the value of fund liabilities over the year</u>		
	2017 £'000	2016 £'000
Value of liabilities at 1 October	8,099	6,767
Service cost	39	78
Interest cost	191	254
Member contributions	6	12
Benefits paid	(327)	(276)
Actuarial (gains)/losses	<u>(553)</u>	<u>1,264</u>
Value of Liabilities at 30 September	<u>7,455</u>	<u>8,099</u>
<u>Analysis of changes in the value of the fund assets over the year</u>		
	2017 £'000	2016 £'000
Market value of assets at 1 October	5,997	5,038
Administration expenses	(168)	(68)
Interest income	141	188
Actuarial (losses)/gains	<u>(324)</u>	<u>972</u>
Employer contributions	216	131

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2017

Member contributions	6	12
Benefits paid	(327)	(276)
Market value of assets at 30 September	<u>5,541</u>	<u>5,997</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 £1.596 million (2016: £1.367 million).

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 2017 are shown below:

Asset Class	30 September 2017	30 September 2016
	£ '000	£ '000
Equities	2,426	3,422
Cash	107	40
Annuities	625	782
Other assets	2,383	1,753
Total Assets	5,541	5,997

Financial Assumptions	30 September 2017	30 September 2016
Discount Rate	2.60% pa	2.40% pa
Retail prices index (RPI) inflation	3.30% pa	3.10% pa
Consumer prices index (CPI) inflation	2.30% pa	2.10% pa
Salary Increases	3.30% pa	3.10% pa
Rate of increases of pensions in payment: 5% or CPI if less with minimum increase rate of 3% pa	3.20% pa	3.10% pa
2.5% or CPI if less	1.90% pa	1.80% pa
Rate of increase for deferred pensioners	2.30% pa	2.10% pa

Life expectancies	30 September 2017	30 September 2016
	Years	Years
	Males	Males
	Females	Females
Life expectancy for an individual aged 60	27.5 29.5	28.8 31.5
Life expectancy at aged 60 for an individual aged 40 in 2016	29.1 31.1	30.7 33.5

THE EARL HAIG FUND SCOTLAND (A Company Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

23. Financial Commitments

Operating lease commitments

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

	2017		2016	
	Buildings	Other	Buildings	Other
	£ 000	£ 000	£ 000	£ 000
Group and Charity				
- within one year	45	21	43	13
- between one and five years	243	36	172	-
- after five years	209	-	64	-
	<u>497</u>	<u>57</u>	<u>279</u>	<u>13</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 FINANCIAL STATEMENTS (cont'd)
For the year ended 30 September 2017

26. a) Consolidated Statement of Financial Activities for the year ended 30 September 2016
 (incorporating an Income and Expenditure Account)

	Notes	2016 Unrestricted Funds	2016 Restricted Funds	2016 Total Funds
		£'000	£'000	£'000
Income from:				
Donations & legacies	3	3,671	12	3,683
Charitable activities	4(a)	13	119	132
	4(b)	319	117	436
Other trading activities		61	-	61
Investments	5	387	-	387
Other	6	17	-	17
Total income		4,468	248	4,716
Expenditure on:				
Raising funds	7	2,104	-	2,104
Charitable activities				
- Poppy Manufacturing costs	8	497	129	626
- Welfare Services	9	2,178	103	2,281
		2,675	232	2,907
Total Expenditure		4,779	232	5,011
Net gains on investments	15	865	-	865
Net income		554	16	570
Transfers between funds		4	(4)	-
Actuarial losses on defined benefit pension scheme	22	(292)	-	(292)
Net movement in funds		266	12	278
Reconciliation of funds:				
Total funds brought forward	19(a)	9,465	115	9,580
Total funds carried forward	19(a)	9,731	127	9,858

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 September 2017

26.b) Company Statement of Financial Activities for the year ended 30 September 2016
(incorporating an Income and Expenditure Account)

	Notes	2016 Unrestricted Funds	2016 Restricted Funds	2016 Total Funds
		£'000	£'000	£'000
Income from:				
Donations and legacies	3(a)	3,659	-	3,659
Charitable activities	4(a)	13	119	132
Other trading activities		61		61
Investments	5	387	-	387
Other	6	17	-	17
Total income		4,137	119	4,256
Expenditure on:				
Raising funds	7	2,104	-	2,104
Charitable activities - Welfare Services	9	2,400	103	2,503
Total expenditure		4,504	103	4,607
Net gains on investments	15	865	-	865
Net income		498	16	514
Transfers between funds		4	(4)	-
Actuarial losses on defined benefit pension scheme	22	(292)	-	(292)
Net movement in funds		210	12	222
Reconciliation of funds:				
Total funds brought forward	19(b)	8,679	94	8,773
Total funds carried forward	19(b)	8,889	106	8,995