

**THE LADY HAIG POPPY FACTORY LIMITED**

**Charity Number  
Company Number**

**SCO16682  
SC194777**

**THE LADY HAIG POPPY FACTORY LIMITED**

**REPORT and FINANCIAL STATEMENTS**

**For the year ended 30 September 2017**

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## **THE LADY HAIG POPPY FACTORY LIMITED**

### **Reference & Administration Information**

#### **Trustees & Directors of the Charitable Company**

Professor A M Davison RD  
Col (Retd) MW Bibbey  
Lt Col (Retd) H Homewood MBE (appointed 25 October 2016)  
D S MacAulay (appointed 25 October 2016)  
D G O Skinner (appointed 25 October 2016)  
J Thomson (appointed 19 April 2017)

#### **Company Secretary**

Luke Joannou

#### **Factory Manager**

Major (Retd) C M Pelling

#### **Bankers**

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

#### **Lawyers**

Gillespie Macandrew LLP  
5 Atholl Crescent  
Edinburgh  
EH3 8EJ

#### **Auditor**

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

#### **Registered Office**

New Haig House  
Logie Green Road  
Edinburgh  
EH7 4HR

Tel: 0131 557 2782

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Website: [ladyhaigpoppyfactory.org.uk](http://ladyhaigpoppyfactory.org.uk)

Charity No: SCO16682

Company No: SC194777

## **THE LADY HAIG POPPY FACTORY LIMITED**

### **CHAIRMAN'S REPORT**

#### **Introduction**

This report covers the financial year to 30 September 2017.

#### **Governance**

During the year, The Lady Haig Poppy Factory Limited (hereafter referred to as the Poppy Factory) operated under its new governance structure. The board was expanded to six members and continued to meet at three monthly intervals to oversee the operation of the factory. This expansion followed a recommendation made during the internal audit carried out the previous year. The expanded board has brought greater experience and scrutiny to the governance of the factory and is a significant improvement on previous arrangements.

#### **Production**

The poppy order for the 2017 Appeal was met in good time and supplementary orders have been completed in October. As in previous years, production was augmented by some manufacturing of poppies by the Scottish Prison Service.

Wreath sales remained extremely buoyant and the value of sales and other commemorative items has increased again from £351k for the previous year to £394k for this year. This increase can be explained by the ongoing interest related to World War One commemorations and to the continuing popularity of the online shop; over 60% of new customers have come from outside Scotland. Many new orders are for single items with bespoke centres and we are able to meet these orders quickly and efficiently. In the previous year we completed a major order for Co-Operative Funeral Services for 880 wreaths. We hoped for a repeat order for this year and duly received one for 400 wreaths.

Sales of newly introduced items have been encouraging and the poppy corsage in particular has sold well. For this year we have introduced two new items, the Christmas poppy spray and the Christmas long stem poppy, our first Christmas items for many years.

#### **Infrastructure**

Progress on the refurbishment of the factory has been significant. Due to Health and Safety concerns raised by The Royal British Legion (TRBL) it has been decided that the building, in its present form, will no longer be fit for purpose after the 2018 Poppy Appeal and the factory will therefore decant into temporary premises while the building is refurbished. To allow continuing occupation up to Appeal '18, a significant raft of temporary Health and Safety measures have been put in place and been approved by the Royal British Legion. A project board has been convened to provide strategic direction and has met several times. A part time project co-ordinator has been appointed who will assist the factory manager in the delivery of this project. It remains the case that part of this project will include the consideration of the mechanisation of the production process for the vast majority of Green Stem poppies.

#### **Workforce**

The workforce, including management and part-time employees, totals 39 (PY 39). Management consists of the manager, accountant, accountant's assistant, foreman, the office and sales manager and her assistant. The office and sales manager team is augmented by a paid seasonal worker who works from August to November and takes responsibility for processing on-line shop orders. This year this was provided by a factory floor employee and proved very successful.

## THE LADY HAIG POPPY FACTORY LIMITED

### CHAIRMAN'S REPORT (Cont'd)

A grant of £115,203 was received from the Shaw Trust (2016: £117,049), which was used for 24 Workchoice places. The manager and accountant are responsible for delivering the programme which is overseen by the Shaw Trust as the DWP prime contractor. The programme has been extended once more to March 2019 for those already on the programme. It has recently been announced that the programme has been replaced by a new strand of Access to Work, the details of which are not yet known. Between now and March 2019 therefore new employees can only be taken on as unsupported.

The board approved the application to become members of the Living Wage Foundation and agreed that in future the hourly rate for shop floor employees would be at or above the foundations rate.

The manager continues to provide pastoral care where appropriate and has dealt with a number of significant welfare issues this year.

Throughout the year an ongoing volunteering programme has been run. Volunteers include individuals, youth organisations and corporate bodies and in all instances have proved mutually beneficial. We have also agreed to assist with the rehabilitation, where appropriate, of ex-servicemen who have been sentenced with a Community Service Order.

#### Visits

The autumn schools visit programme was again delivered successfully in the month leading up to the Remembrance period. Once again demand exceeded availability and the programme was booked very quickly with 32 different schools and well over 1,000 pupils participating. Feedback from the teachers and pupils has been universally extremely positive. We continue to host other group and individual visits throughout the year and are in the process of training up additional shop floor staff as guides and lecturers.


#### Financial

The financial statements show a surplus of £35,543 (2016: £58,180) unrestricted in respect of operational activities and a deficit of £3,908 (2016: £1,347) in respect of restricted funds.

#### Conclusion

This has been another very busy and successful year for the Factory. Further increases in demand for wreaths and associated items is testament to our selling strategy and all members of staff are to be commended for meeting this additional challenge, especially the staff who process and dispatch these orders. Our product range has been expanded with very little risk and I judge our commercial offering now to be as strong or stronger than at any time in the recent past. The workforce is happy and productive and I would judge the charity to be in very good shape.

Chairman

 23 January 2018

Professor AM Davison  
Chairman

## **THE LADY HAIG POPPY FACTORY LIMITED**

### **REPORT OF THE TRUSTEES (Including the Directors' report)**

#### **For the year ended 30 September 2017**

The Trustees submit their annual report and the audited financial statements for the year ended 30 September 2017. In preparing the annual report and financial statements of the charitable company the Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption, including the exemption from preparing a strategic report.

#### **Structure, Governance & Management**

The Lady Haig Poppy Factory Limited was incorporated on 24 March 1999. The charitable company is a registered Scottish charity and is governed by a Memorandum and Articles of Association. The charitable company assumed the activities carried on by The Lady Haig Poppy Factory, an unincorporated charitable body that ceased its activities. The Lady Haig Poppy Factory is both an independent charitable company and a charitable company limited by shares, with The Earl Haig Fund Scotland (Poppyscotland) being the sole shareholder and transferred all of its assets and liabilities to the company on 1 April 1999. All of the issued shares are held by The Earl Haig Fund Scotland, whose mission is to raise funds in order to support those who have served in the Armed Forces and their dependents in Scotland. The ultimate parent company is The Royal British Legion a charity registered in England and Wales (Charity No 219279).

#### **Appointment of Trustees**

Members of the Board are drawn from members of the public with experience or interest in the welfare of ex-Service personnel and specifically the work of the Factory. Policies are in place whereby existing members of the Board interview candidates who, on appointment, undergo an induction process covering the responsibilities of trustees, obligations under charity law and the purpose of factory operations.

#### **Decision Making**

In accordance with the structure of the Charitable Company, the activities of the company were managed during the year by a Board of Trustees comprising the Chairman of the Poppy Factory and five other directors. The Board meet quarterly and may exercise all the powers of the charitable company. The Chairman of the Poppy Factory is also a member of the Poppyscotland board. The Trustees are also Directors for company law purposes. The day to day management of the charity is delegated to the factory manager.

#### **Details of Related Parties**

Poppyscotland purchased poppies, wreaths and related items amounting to £430,457 (2016: £477,342). Poppyscotland provides factory space to The Lady Haig Poppy Factory Limited at nil consideration within which activities in support of disabled ex-Service personnel and on behalf of Poppyscotland are undertaken. An updated Statement of Understanding was signed in August 2015 between Poppyscotland and the Poppy Factory and this is subject to regular review to reflect best practice. Annual Returns continue to be sent to both the Office of the Scottish Charity Regulator (OSCR) and Companies House.

#### **Objectives & Activities**

The purpose of the company is the maintenance in Scotland of a factory for the manufacture of poppies and other articles by disabled ex-soldiers, sailors and airmen and for their instruction in such trades or crafts as the Trustees may decide from time to time.

#### **Significant areas of activity**

The Lady Haig Poppy Factory continues to employ disabled ex-service personnel in the making of poppies and wreaths. The wages of twenty-four of the thirty-nine employees (including management) are partly subsidised by the Workchoice programme with funds provided by The Shaw Trust on behalf of the Department of Work and Pensions on the understanding that the Poppy Factory will aim to

## **THE LADY HAIG POPPY FACTORY LIMITED**

### **REPORT OF THE TRUSTEES (Including the Directors' report) (Cont'd)**

progress members of the workforce from supported to open working where appropriate. The current Workchoice contract comes to an end in March 2019.

#### **Achievements & Performance**

The Poppy Factory provided 2.63 million poppies to Poppyscotland for the annual appeal in November 2017 (2016: 3.87 million). The reduction in poppies provided is due to the issue of 1.03 million in October 2017 (2016: 147 thousand) The on-line shop is now well established. This additional sales medium has proved very successful and has allowed us to expand the charity's product offering both within and outside of Scotland. Our ability to produce bespoke wreaths for private clients within two days of the order being placed is of particular note.

#### **Financial Review**

Net income amounted to £31,635 (2016: £56,833).

Total income amounted to £885,263 (2016: £943,721).

As in previous years, the principal income streams of the Poppy Factory's operations are derived from the manufacture of items of remembrance and grant support from the Shaw Trust amounting to £115,203 (2016: £117,049), to assist with the employment costs of the disabled workforce programme.

Total expenditure amounted to £853,628 (2016: £886,888).

In accordance with the charitable company's Memorandum and Articles of Association, the Trustees and management of the Poppy Factory operate a Welfare Fund for the benefit of the disabled workforce. Income relating to this fund amounted to £11,580 (2016: £10,422). Welfare Fund expenditure amounted to £15,754 (2016: £11,769).

#### **Risk management**

The Board continually reviews any major risks to which the charity is exposed and a formal risk management process is established to identify the risks and implement risk management strategies. This process involves identifying the types of risk facing the charity, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Board has reviewed the adequacy of the charity's current internal controls and is satisfied that they are appropriate to the organisation.

The following key risks and controls were identified:

- a. Risk: Ageing work force  
Mitigating response: Plans are being considered to install a poppy-making machine for the production of the majority of Green Stem poppies
- b. Risk: Dilapidation of estate leading to major interruption of poppy and wreath production  
Mitigating response:
  - i. A weekly review of the factory premises is undertaken to ensure operational viability and health and safety requirements.
  - ii. It has been agreed that the factory will undergo a major refurbishment commencing in December 2018

#### **Investment policy**

Funds in excess of working capital requirements were held on deposit in an interest bearing bank account.

## **THE LADY HAIG POPPY FACTORY LIMITED**

### **REPORT OF THE TRUSTEES Including the Directors' report (Cont'd)**

#### **Staff pensions**

At the discretion of the parent company two members of The Lady Haig Poppy Factory management team participate in The Earl Haig Fund Scotland's defined benefit pension scheme. The charitable company's share of the assets and liabilities relating to this arrangement could not be separately identified and consequently contributions to the scheme are accounted for on a defined contribution basis. A defined contribution pension scheme was introduced in 2008 and continues to be available to all other members of the workforce.

#### **Remuneration Policy**

The aim of the remuneration policy is to offer remuneration that is fair and appropriate. The Lady Haig Poppy Factory expects to pay at a level comparable to that in the public sector and the charity sector. The board decided that factory floor employees will receive a minimum hourly rate as set by The Living Wage Foundation. The factory is now registered as a member of that organisation.

The chief executive of Poppyscotland's duties encompasses the operations of the Lady Haig Poppy Factory and all relevant remuneration is charged to Poppyscotland.

#### **Reserves policy**

The Board has reviewed the unrestricted reserves of the charitable company, which amount to £874,765 (2016: £839,222) The review examined the nature of income and expenditure streams both in the year under review and in relation to future periods as set out in the current 5-year plan to 2021 and are of the opinion that the working capital of the company, which equated to the reserves, is at an appropriate level. The Board acknowledges that any significant deterioration in the level and value of stocks held or irrecoverability of a significant number of trade receivables would potentially require the charity to seek funding from its parent charity.

#### **Going concern**

The trustees are of the opinion that the current business model continues to generate sufficient opportunities for the workforce in a supported working environment and that the values attributed to stock and debtors as reported on the balance sheet at 30 September 2017 are fairly stated and realisable. Accordingly, the financial statements have been prepared on a going concern basis.

The Board also reviewed the level of restricted funds held and the charitable company's plans for their use and are satisfied that adequate procedures are in place to ensure the appropriate use of these funds.

#### **Plans for the future**

It has now been agreed that the factory will be refurbished and that work will commence in December 2018. As part of this the factory will decant to temporary premises for the duration of the refurbishment. A project board has been convened and meets regularly. An architects practice and other specialists have been appointed.



## THE LADY HAIG POPPY FACTORY LIMITED

### REPORT OF THE TRUSTEES Including the Directors' report (Cont'd)

#### Statement of the Trustees' responsibilities

The trustees (who are also directors of The Lady Haig Poppy Factory Limited 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 of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- a. Select suitable accounting policies and then apply them consistently;
- b. Observe the methods and principles in the Charities SORP;
- c. Make judgments and accounting estimates that are reasonable and prudent;
- d. State whether applicable UK Accounting Standards have been followed; and
- e. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

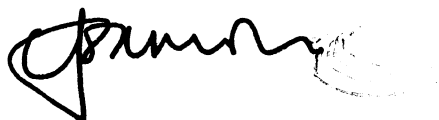
In so far as the trustees are aware: -

- a. there is no relevant audit information of which the charitable company's auditor is unaware; and
- b. the trustees have taken all the steps he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

#### Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006, including the exemption from preparing a strategic report.

BY ORDER OF THE BOARD



**L Joannou**  
Company Secretary

## **THE LADY HAIG POPPY FACTORY LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE LADY HAIG POPPY FACTORY LIMITED**

#### **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 charitable company's affairs as at 30 September 2017 and of its 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 Lady Haig Poppy Factory Limited (the 'charitable company') which comprise:

- the statement of financial activities (incorporating an income and expenditure account);
- the balance sheet; and
- the related notes 1 to 17.

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 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 charitable company's ability 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 (including the Directors' Report), 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.

## **THE LADY HAIG POPPY FACTORY LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE LADY HAIG POPPY FACTORY LIMITED (Cont'd)**

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 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 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.

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](http://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 LADY HAIG POPPY FACTORY LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE LADY HAIG POPPY FACTORY LIMITED (Cont'd)**

- the information given in the Report of the Trustees, which includes 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 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 directors' report included within the Report of the Trustees.

**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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

5/2/2018

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.

**LADY HAIG POPPY FACTORY LIMITED**

**Statement of Financial Activities (incorporating an income and expenditure account)**

**For the year ended 30 September 2017**

		Unrestricted Funds 2017 £	Restricted Funds 2017 £	Totals 2017 £	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Totals 2016 £
<b>Income and endowments from:</b>							
Donations and legacies	2	-	11,580	<b>11,580</b>	-	10,422	<b>10,422</b>
Charitable activities	3	861,132	-	<b>861,132</b>	919,360	-	<b>919,360</b>
Investments	4	54	-	<b>54</b>	119	-	<b>119</b>
Other	5	10,231	2,266	<b>12,497</b>	11,820	2,000	<b>13,820</b>
<b>Total Incoming Resources</b>		<b>871,417</b>	<b>13,846</b>	<b>885,263</b>	<b>931,299</b>	<b>12,422</b>	<b>943,721</b>
<b>Resources Expended</b>							
Raising Funds	6	(500)	-	<b>(500)</b>	(420)	-	<b>(420)</b>
Charitable activities	7	(835,374)	(17,754)	<b>(853,128)</b>	(872,699)	(13,769)	<b>(886,468)</b>
<b>Total Resources Expended</b>		<b>(835,874)</b>	<b>(17,754)</b>	<b>(853,628)</b>	<b>(873,119)</b>	<b>(13,769)</b>	<b>(886,888)</b>
<b>Net income/(expenditure)</b>	14a	<b>35,543</b>	<b>(3,908)</b>	<b>31,635</b>	<b>58,180</b>	<b>(1,347)</b>	<b>56,833</b>
Fund balances brought forward at 1 October		839,222	25,397	<b>864,619</b>	781,042	26,744	<b>807,786</b>
Fund balances carried forward at 30 September		<b>874,765</b>	<b>21,489</b>	<b>896,254</b>	<b>839,222</b>	<b>25,397</b>	<b>864,619</b>

All gains and losses recognised in the year are included above. The surplus for the year for Companies Act purposes comprises the net movement in funds for the year. All income and expenditure derives from continuing activities.

The notes on pages 15 to 19 form part of these financial statements

THE LADY HAIG POPPY FACTORY LIMITED

BALANCE SHEET

As at 30 September 2017

	Notes	2017 £	2016 £
<b>Current Assets:</b>			
Stocks and work in progress	10	410,018	314,129
Debtors	11	479,865	544,157
Cash at Bank and in hand		58,702	57,644
<b>Total current assets</b>		<u>948,585</u>	<u>915,930</u>
<b>Liabilities:</b>			
Creditors: Amounts falling due within one year	12	<u>(52,331)</u>	<u>(51,311)</u>
Net current assets or liabilities		<u>(52,331)</u>	<u>(51,311)</u>
<b>Total net assets less current liabilities</b>		<u>896,254</u>	<u>864,619</u>
<b>The Funds of the charity:</b>			
Called up share capital	13	<u>1,000</u>	<u>1,000</u>
Restricted income funds:	14	<u>20,489</u>	<u>24,397</u>
Unrestricted funds		<u>874,765</u>	<u>839,222</u>
<b>Total charity funds</b>		<u>896,254</u>	<u>864,619</u>

These financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf by:-

*Alex M Davison* 23 January 2018

Professor AM Davison  
Chairman

Company No: SC194777

## THE LADY HAIG POPPY FACTORY LIMITED

### NOTES to the FINANCIAL STATEMENTS

#### For the year ended 30 September 2017

#### 1. Accounting Policies

##### a) Accounting convention

The Lady Haig Poppy Factory Limited is recognised as a Scottish Charity (No. SCO16682) under the Charities and Trustees Investment (Scotland) Act 2005. The charity is a public benefit entity.

These 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 financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (Charities SORP), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemption available to it in respect of its financial statements. The company is consolidated in the financial statements of its parent, the Earl Haig Fund Scotland, which are publicly available. Exemptions have been taken in these financial statements in relation to presentation of a cash flow statement, financial instruments disclosures, and remuneration of key management personnel.

##### 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.

Please also refer to the disclosure made within the Trustee's Report.

##### c) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes direct costs of labour and materials plus an allocation of general overheads.

##### d) Income

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

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

##### e) 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.

## THE LADY HAIG POPPY FACTORY LIMITED

### NOTES to the FINANCIAL STATEMENTS (cont'd)

#### For the year ended 30 September 2017

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.

**f) Employment Service Grant**

A Supported Employment Grant is received on a monthly basis from The Shaw Trust, or nominated Prime Contractor and credited to income in the financial period to which it relates.

**g) Expenditure**

Expenditure is recognized when a liability is incurred. Charitable activities includes expenditure associated with the manufacture of poppies, wreaths and other articles by disabled ex-service personnel and includes both the direct costs and support costs relating to these activities, the maintenance of factory operations and the welfare of the employees.

Support costs and overheads are allocated on the basis of the number of employees directly involved in the manufacture of the various articles produced within the Factory.

**h) Pension costs**

The company contributes to defined benefit and defined contribution pension schemes on behalf of eligible employees. The defined benefit scheme is a multi-employer scheme for which the assets and liabilities for the employees of this entity cannot be separately identified. It is therefore accounted for under FRS 102 as a defined contribution scheme.

**i) Taxation**

The company is a registered charity, and as such is entitled to certain tax exemptions on income and surpluses from investments or trading activities provided these surpluses are applied on behalf of its primary objectives.

**j) Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. 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 company 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.

**k) Critical accounting judgements and key sources of estimation uncertainty**

In the application of the charity'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.

In the opinion of the Trustees no critical accounting judgements exist which are likely to affect the ongoing activity of the Lady Haig Poppy Factory during the coming year.



THE LADY HAIG POPPY FACTORY LIMITED

NOTES to the FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 September 2017

<b>2 Donations</b>	<b>2017</b>	<b>2016</b>
	£	£
Donations (Welfare)(Restricted)	11,580	10,422
	<u>11,580</u>	<u>10,422</u>
<b>3 Income from charitable activities</b>	<b>2017</b>	<b>2016</b>
	£	£
Sales	745,929	802,311
Shaw Trust	115,203	117,049
	<u>861,132</u>	<u>919,360</u>
Sales are stated net of VAT.		
<p>To comply with the requirements of Jobcentre Plus poppies are sold to Poppyscotland for use during the annual Scottish Poppy Appeal at a commercial rate which was mutually agreed to be the cost of production consisting of materials, overheads and wages as offset by Jobcentre Plus funding (for those poppy makers on Workchoice places). During the 12 months ended 30 September 2017 total sales to Poppyscotland, including tin room costs and wreath sales, amounted to £430,457 (2016: £477,342).</p>		
<b>4 Investment Income</b>	<b>2017</b>	<b>2016</b>
	£	£
Bank Interest	54	119
	<u>54</u>	<u>119</u>
<b>5 Other income</b>	<b>2017</b>	<b>2016</b>
	£	£
Welfare (Restricted)	266	-
Mobile Museum (Restricted)	2,000	2,000
Miscellaneous	10,231	11,820
	<u>12,497</u>	<u>13,820</u>
<b>6 Raising Funds</b>	<b>2017</b>	<b>2016</b>
	£	£
Support costs (note 8)	500	420
	<u>500</u>	<u>420</u>
<b>7 Charitable activities</b>	<b>2017</b>	<b>2016</b>
	£	£
<u>Unrestricted</u>		
Materials Consumed	102,095	74,167
(Increase)/decrease in finished goods	(107,067)	2,866
Direct staff costs	415,474	399,908
Indirect staff costs	120,306	114,811
Operating Expenses	76,754	69,140
Support costs (note 8)	227,812	211,807
	<u>835,374</u>	<u>872,699</u>
<u>Restricted</u>		
Mobile Military Museum	2,000	2,000
Welfare outgoings	15,754	11,769
	<u>17,754</u>	<u>13,769</u>
<b>Total charitable activities</b>	<u>853,128</u>	<u>886,468</u>

THE LADY HAIG POPPY FACTORY LIMITED

NOTES to the FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 September 2017

8 Allocation of general support and overhead costs

	Charitable Activities £	Raising Funds £	2017 Total £	2016 Total £
Salary and employee benefits	189,391	350	189,741	179,603
Bank charges	861	-	861	871
Governance	10,068	-	10,068	8,660
Insurance	120	-	120	883
Utilities	6,044	-	6,044	6,122
General repairs & maintenance	1,282	-	1,282	1,104
Property maintenance	5,560	-	5,560	4,739
Miscellaneous	14,488	150	14,638	10,246
	<u>227,812</u>	<u>500</u>	<u>228,312</u>	<u>212,228</u>
	Note 7	Note 6		

9 Staff Costs

	2017 £	2016 £
Wages and salaries	626,775	600,522
Social security costs	42,533	38,837
Staff disability Insurance costs	3,632	3,499
Other pension costs	<u>52,582</u>	<u>51,465</u>
	<u>725,522</u>	<u>694,323</u>

No employee has emoluments in excess of £60,000 (2016: £60,000).

The company contributed £16,704 (2016: £16,376) to a defined benefit pension scheme for two employees and £35,878 (2016: £35,089) to a stakeholder pension plan for thirty employees.

The average monthly number of employees during the year was made up as follows:

	No	No
Management and support	6	6
Manufacturing	<u>33</u>	<u>33</u>
	<u>39</u>	<u>39</u>

No trustee received any remuneration or reimbursement of costs from the company during the year (2016: £nil).

10 Stock

	2017 £	2016 £
Finished goods	337,619	230,552
Work in progress	<u>72,399</u>	<u>83,577</u>
	<u>410,018</u>	<u>314,129</u>

11 Debtors

	2017 £	2016 £
Trade debtors	76,929	89,308
PoppyScotland	390,929	432,234
Other debtors	465	1,180
Prepayments and accrued income	<u>11,542</u>	<u>21,435</u>
	<u>479,865</u>	<u>544,157</u>

12 Creditors: Amounts falling due within one year

	2017 £	2016 £
Accruals	41,594	44,421
Trade creditors	<u>10,737</u>	<u>6,890</u>
	<u>52,331</u>	<u>51,311</u>

THE LADY HAIG POPPY FACTORY LIMITED

NOTES to the FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 September 2017

<b>13 Share Capital</b>	<b>2017</b>	<b>2016</b>
	£	£
Called-up, allotted and fully paid 1,000 Ordinary shares of £1 each	1,000	1,000
At 1 October 2016 and 30 September 2017	1,000	1,000

<b>14 Funds</b>	<b>2017</b>	<b>2016</b>
	£	£
<b>(a) Movement for the year</b>		
Balance at 1 October	864,619	807,786
Net movement in funds for the year	31,635	56,833
Balance at 30 September	896,254	864,619

<b>(b) Fund allocation</b>	<b>Balance at 01 Oct 2016</b>	<b>Income</b>	<b>Expenditure</b>	<b>Balance at 30 Sept 2017</b>
	£	£	£	£
Share capital	1,000	-	-	1,000
Restricted Funds:				
Welfare fund	20,897	11,846	(15,754)	16,989
Mobile Museum	3,500	2,000	(2,000)	3,500
	24,397	13,846	(17,754)	20,489
Unrestricted funds:				
General fund	839,222	871,417	(835,874)	874,765
	864,619	885,263	(853,628)	896,254

The Welfare Fund is maintained for the benefit of the disabled workforce and does not form part of the Factory's operational result.

The Scottish Veterans Fund supplementary grant of £2,000 (Balance £3,500) was for the hire of a mobile military museum used for the education of school children on their organised visits during remembrance time.

**15 Parent Undertaking and Ultimate Controlling Party**

The immediate parent company is The Earl Haig Fund Scotland (Scottish Charity No. SCO 14096) which operates under the trading name of Poppyscotland. The ultimate parent company is The Royal British Legion (TRBL) a charity registered in England and Wales (Charity No 219279). The financial statements of The Lady Haig Poppy Factory are consolidated into the Poppyscotland group financial statements, which are further consolidated into the financial statements of The Royal British Legion.

**16 Retirement Benefits**

The Lady Haig Poppy Factory pension arrangements comprise the following schemes:-

Stakeholder Scheme: this is a defined contribution pension scheme available to the factory workforce. The standard contribution rates have been set at 6% from the employer and 3% the employee.

StanPlan F: Members of the Lady Haig Poppy Factory management team participate in the Poppyscotland defined benefit pension scheme.

Poppyscotland has an agreement with its subsidiary that any Scheme deficit will be met by Poppyscotland; consequently, it is not considered appropriate or necessary to identify the share of assets and liabilities relating to the participation of these members.

**17 Related Parties**

The company has taken advantage of the exemptions granted by paragraph 33.1 of FRS 102 not to disclose transactions with other wholly owned group companies, being a 100% owned subsidiary of Royal British Legion.