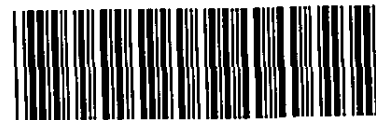


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THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

Company Number: 00204405
Charity Number: 225348

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COMPANIES HOUSE

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REFERENCE AND ADMINISTRATIVE DETAILS

Name of charity	The Royal British Legion Poppy Factory Limited	
Charity number	225348	
Company number	204405	
Registered office and operational address	20 Petersham Road Richmond Surrey TW10 6UR	
President	Mrs S Jones CBE DL	
Council members	C S B Cook Sir P G Dilley FICE FRIBA MStructE P R Gill FCA S Monger-Godfrey FRICS Col M A J Overton TD M Perowne FRICS (Chairman) H H Player (Vice Chairman) Maj Gen A R D Sharpe CBE Dr G Strathdee OBE, MRCPsych A J Truscott ACA J Wolff-Ingham	
Chief executive officer	Mrs M D Waters	
General manager/secretary	W R Kay	
Bankers	Barclays Bank Plc PO Box 13 8 George Street Richmond Surrey TW9 1JU	Bank of Scotland 600 Gorgie Road Edinburgh EH11 3XP
Solicitors	Russell-Cooke LLP 2 Putney Hill Putney London SW15 6AB	Calvert Smith & Sutcliffe Onslow House 9 The Green Richmond Surrey TW9 1PU
Auditors	haysmacintyre 26 Red Lion Square London WC1R 4AG	
Investment managers	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA Close Brother Assets Management 10 Exchange Square Primrose Street London EC2A 2BY Newton Investment Management Ltd 160 Queen Victoria Street London EC4V 4LA	

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 30 SEPTEMBER 2014

The Council (whose members are also trustees under charity law and directors under company law) presents its report and the audited financial statements for the year ended 30 September 2014

Reference and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities (issued in March 2005)

Structure, governance and management

The company was established under a Memorandum of Association. New Articles of Association were adopted on 13 April 2012.

The Royal British Legion Poppy Factory Limited (The Poppy Factory) is a charitable company limited by guarantee, incorporated on 11 March 1925 and registered as a charity on 11 May 1964.

The members of Council during the year are shown on page 1. D Walter stood down from the Council on 18 January 2014, G Strathdee was appointed to the Council on 22 November 2013, P R Gill was appointed to the Council on 3 April 2014 and J Wolff-Ingham was appointed to the Council on 28 November 2014.

New Council members are appointed as necessary, in order to give a wide breadth of experience to the organisation. They have been recruited through a formal recruitment and selection process which includes a review of their Curriculum Vitae and interview with the Chief Executive Officer (CEO) and members of the Council.

Trustee induction is carried out by the General Manager (GM) and CEO prior to the new member's first Council meeting. This encompasses:

- governing documents,
- council members' responsibilities,
- mission statement,
- health and safety policy,
- operational and committee structures,
- audited and management accounts,
- strategic plan, and
- key projects

Training courses are attended/run on an as-required basis.

No benefits are received by members of the Council. Trustee expenses are referred to in note 5.

Organisational structure

The Council meets at least four times a year or when required. The Nominations Committee, Estates Committee, Finance and Investment Committee and various working groups all report in to the Council Meetings as part of the governance structure.

As Trustees we agree the strategic aims of the charity, authorise the budget and approve expenditure.

The day to day running of the charity is the responsibility of the CEO, Mrs Melanie Waters, who was appointed by the Council.

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REPORT OF THE COUNCIL (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Related parties

Details of related party transactions are included in note 18 to the financial statements

Risk statements

The Council regularly reviews the charity's activities and considers the opportunities available to enable it to meet its objectives and the risks to which it is exposed

As part of this process, we have implemented a risk management strategy which comprises

- an on-going review of the risks which the charity may face,
- appropriate training and reporting to meet health and safety recommendations,
- the establishment of systems and procedures to manage those risks identified, and
- the implementation of procedures designed to minimise any potential impact on the charity should any of those risks materialise

The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include

- an annual budget approved by the Council,
- regular consideration of financial results, variance from budgets, non-financial performance indicators,
- delegation of authority and segregation of duties, and
- identification and management of risks

Objects, activities and public benefit

The Council has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular the Council considers how planned activities will contribute to the aims and objectives that have been set.

In the Articles of Association the main object for which the charity is established is to organise, establish and manage schemes for the purpose of assisting men and women who have been members of the Forces of the Crown and primarily those of them who have been disabled while serving in the Forces or as the result of such service, together with the widows and disabled dependants of such ex-servicemen by providing them with work provided they are physically capable thereof and with payment therefor.

Major Howson, our Founder achieved this in 1922 by employing disabled veterans to make poppies, crosses and wreaths for The Royal British Legion ("TRBL") at a factory which was later moved to Richmond. There he engendered a spirit of comradeship, endeavour and achievement.

This has not changed in over 90 years and The Poppy Factory has been able to continue Major Howson's vision in helping even more disabled veterans back to work throughout the UK with the same spirit.

Our vision is that "no disabled veteran who wants to work should be out of work"

We deliver that vision by working collaboratively with disabled veteran clients, potential employers and Service charity partners alike to ensure that we are able to offer employability support which is effective and that has a real impact upon the lives of individual clients, their families and society.

"My case worker at The Poppy Factory was out of this world! She was just fantastic. I have a proper job and a good wage, hopefully a career for the future. Life is looking good again."

We adhere to all aspects of the Armed Forces Covenant in ensuring no disadvantage to veterans and have signed the Corporate Covenant in the year

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REPORT OF THE COUNCIL (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Achievements and performance

Our objective is to create paid meaningful employment opportunities for disabled ex-Service personnel and disabled dependants both within The Poppy Factory and with host employers throughout the UK. The latter activity is known as "Getting you back to work" (GYBTW). Once employment has been found for an individual further 'in work support' is provided for 12 months.

UK-Wide Employment

Aim:

To create paid, meaningful employment opportunities for disabled veterans with host employers throughout the UK. These activities are known as "Getting you back to work" (GYBTW).

Achievements.

- In 2013/14 we assisted 129 additional disabled veterans back into work through
 - Employment opportunities 94,
 - Placement opportunities 4,
 - Education opportunities 15, and
 - Volunteering 16

We believe that disabled veterans should be provided with paid employment opportunities which do not rely upon charitable incentives. Employers should value diversity in the workplace and we have been working closely with employers to ensure they value the abilities and competences of veterans who incidentally happen to have a health challenge. The Poppy Factory has reduced its activity in supporting employment opportunities which require funding of the 94 moving into employment 78 were non-funded places and 16 were funded places.

Key statistics are highlighted below

	2014	2013
Clients being supported at start of year	116	96
New clients placed during the year	129	143
Total clients supported in the year	<u>245</u>	<u>239</u>

The objective of 500 clients into work by 2015 was set when the programme was started in 2007. The total number of clients supported into work since then is 396 and the percentage of clients sustaining employment beyond the 12 month period of 'in work support' since the programme commenced is 74% (2007 to 2013 75%).

- We have grown the business development function in size by appointing two Business Development Executives and are now working with employers to understand their recruitment and skills requirements as well as working more with clients to seek bespoke career opportunities based upon their skills and aspirations.
- We are now able to provide accurate reporting from the newly implemented Client Relationship Management system which enables us to learn from the data, develop a robust reporting mechanism and implement improvements for the benefit of clients and employers alike.
- The volunteer mentoring function had 45 volunteer mentors at 30 September 2014 undertaking client mentoring activity, labour market/industry sector research and attendance at veteran's events. They have assisted 32 clients in reaching their career goals.
- We are working collaboratively in Wales with Alabaré, a veterans housing charity, to support disabled veterans into independent living and we have appointed a Welsh employability consultant to support this activity.
- We have developed a marketing and communications function to ensure we are communicating effectively to veterans, clients and partners.

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REPORT OF THE COUNCIL (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

UK-Wide Employment continued.

Future:

To continue to be known as the disabled veterans employability charity which offers a specialist and bespoke service, particularly for those with complex disabilities or health challenges

We will do this by

- Measuring our contribution to society by way of a Social Return on Investment report commissioned in 2014,
- Creating a mental health toolkit for employers as a result of a research study commissioned in 2013/14, and
- Working in a focused way with industry sectors and Service charity partners to optimise client career opportunities in the future

Fundraising

Aim.

To generate a sustainable fundraising income stream and fundraising capability to support the GYBTW initiative.

Achievements:

We successfully raised £817k voluntary income in 2013/14 from a variety of funders and donors who are aligned to our charitable aims, the larger donations are shown below and we would like to thank all of our supporters

• Help for Heroes	£171k
• ABF The Soldiers Charity	£134k
• Walking with the Wounded	£100k
• Forces in Mind Trust	£75k
• Royal Navy/Royal Marines	£72k
• Alabaré Christian Care and Support	£66k
• The Drapers Company	£53k

Future:

In 2014/15 we plan to build on our networks and involve stakeholders in an inspirational programme of events and engagement

This will include

- creating a network of Ambassadors who share our vision and can influence and advocate on our behalf,
- developing a bespoke programme of engagement for companies who wish to work with us,
- asking the local community to share in our story and join us in championing disabled veterans in the workplace, and
- offer motivational opportunities for all our stakeholder groups to support our work

Poppy Factory Employment

Aim:

To employ disabled veterans and their disabled dependants to assemble poppies, crosses and wreaths for The Royal British Legion Poppy Appeal

Achievement:

In 2013/14 we employed 31 (2013 32) disabled veterans and disabled dependants and produced 11.5m poppies (2013 12.8m), 117,000 wreaths and sprays (2013 96,000), and 630,000 crosses (2013 950,000) The Poppy Factory is supported by a small number of home workers who make a significant contribution to the annual poppy production

A small team of staff from The Poppy Factory also successfully organised the annual Field of Remembrance at Westminster Abbey

Future:

To continue to employ disabled veterans and their disabled dependants to meet The Royal British Legion Poppy Appeal requirements as a flexible manufacturing service

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REPORT OF THE COUNCIL (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Property

Aim:

To manage The Poppy Factory property portfolio to generate on-going income for the GYBTW initiative.

Achievements:

We generated £605k (2013 £607k) net income from The Poppy Factory property portfolio which was invested in the GYBTW programme

Of the total £605k generated from the estate £383k (2013 £344k) were funds generated from the commercial letting of 42 (2013 40) residential flats, we generated an unrestricted surplus of £124k (2013 £187k) through the commercial letting of office space, in addition we provided accommodation for some present and former employees and their dependants (25 flats at the end of the financial year compared with 27 in 2013)

Future:

To maintain and optimise The Poppy Factory property portfolio for the benefit of existing and future beneficiaries of The Poppy Factory

Collaboration

Aim.

To work collaboratively with military charities, employers and government agencies alike to ensure we create the best service to our disabled veteran “clients” and protect the interest of our factory staff

Achievements:

We continue to work collaboratively with the employment initiative SORTED as a founder member and provider of employability service to disabled veterans As part of our membership of The Confederation of Service Charities (Cobseo), The Poppy Factory is a member of the executive committee Cobseo promotes collaboration in the Service charity sector Melanie Waters, our CEO is a Board member of the Forces in Mind Trust We also work with the christian housing organisation Alabaré in Wales in addition to other partnerships which secure meaningful futures for our clients

Future:

We will continue to seek and develop strategic partnerships which assist the Poppy factory in realising its vision

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REPORT OF THE COUNCIL (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Financial review

Our total incoming resource at £3,801k was similar to the total incoming resource in 2013 of £3,799k

Our income is derived from a number of revenue streams

- The Appeal Order income was £1,760k, a reduction of £234k This reduction was made up of a change in mix and overall reduction in volume coupled with cost savings The Appeal Order income is used exclusively for the production of poppies, crosses and wreaths for TRBL for their annual remembrance activities
- Total voluntary income, primarily fundraising, was £817k, an increase of £158k and reflects increased activity by the fundraising team
- Property rental income from investment properties was £642k, an increase of £49k This increase in the full year income reflects the two flats transferred to commercial letting in 2013 A further two flats were refurbished and converted for commercial letting in 2014
- Revenue from the general estate (rental from surplus office space, car parking and beneficiary rents) was £540k, an increase of £39k The income from investment properties and the general estate is used to finance the GYBTW programme

Our total outgoing resources were £3,622k, a reduction of £516k over £4,138k in 2013 The Poppy Factory employed 49 people (2013 46) in 2014 across all programmes

There were lower costs involved in the year's production of the Appeal Order of £242k from £2,009k to £1,767k, reflecting the reduced volumes and cost savings

The annual Appeal Order from TRBL is used by The Poppy Factory to employ 31 people (2013 32) who are either disabled veterans or the disabled dependants of ex-Service men and women

The expenditure on the estate was £91k higher at £580k and included improvements to the rented office space and fees associated with new office tenants There were continued improvements in the property let to commercial and beneficiary tenants and two flats were refurbished in the year

Using our voluntary income and estate income, we were able to continue to develop the GYBTW programme A move towards securing employment opportunities without the requirement for Poppy Factory funding has resulted in savings over prior year in employment funding of £457k Other costs were higher as both the employability and employer development teams expanded Overall expenditure of £1,123k was £329k lower than £1,452k in 2013 Suitable posts with an increased number of employers were sourced in 2013/14 with a shift towards unfunded opportunities resulting in reduced funding costs of £270k A total of 245 clients were supported in 2013/2014 compared with 239 in 2012/13

Net incoming resources before other recognised gains and losses in the year were £180k, this compares to £339k net outgoing resources in 2013 Full details of movements on reserves are disclosed in note 16

Cash and short term deposits increased by £186k to £1,344k at the year end

There was a reduction in creditors at the year-end of £109k of which £72k was reduced accrued employment funding, £29k was reduced deferred income, reduced accrued expenses were partially offset by an increase in Trade creditors of £38k, stock increased by £14k

A sample of properties in the investment property portfolio was valued by Nightingale Chancellors, Chartered Surveyors, as at 30 September 2014 which, extrapolated across the whole portfolio, valued the properties at £18 1m, increasing the investment property reserve by £2 4m

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REPORT OF THE COUNCIL (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Financial review (continued)

Reserves policy

After taking account of the revaluation of investment properties and investments, the charity had unrestricted funds of £20.5m. £18.6m of this total is revaluation reserve and designated funds, the income from which is used for GYBTW, leaving general funds of £1.9m.

The Council considers that reserves should be maintained to cover budgeted beneficiary employment and indirect costs for the factory for 9 months following the balance sheet date, a sum to cover building emergencies on the estate, to ensure that it remains revenue producing, and 6 months planned costs for GYBTW, to ensure that commitments can be honoured in the event of a significant reduction in voluntary income. The target on this basis is a range between £1.7m and £2.1m compared with the £1.9m mentioned above.

Investment property

It is vital that we use all our resources towards the achievement of our charitable purposes. To this end, residential property is let commercially to provide a funding stream for the charitable activities and rents are set based on professional advice from the charity's letting agents and in line with market value.

Other investments

Funds not required in the short to medium term are invested partly in high interest deposit accounts over a suitable period (or periods) with an institution with an investment grade 'A' credit rating and partly in investment vehicles whose objectives are to preserve the real value of capital and produce an income. The carrying value of investments is adjusted to market value at year end. Other funds not required in the immediate future were invested in a Bank of Scotland account paying interest at 0.7% at the year end.

During the year funds were invested with Cazenove Capital Management, Close Brothers Asset Management and Newton Investment Management. The investment in Close Brothers and Newton followed the realisation of investments held by Cazenove as part of a planned change of investment managers. Investment income was reinvested with the exception of £60k cash retained for operations following the realisation of Cazenove assets. Adding back this £60k, total funds grew by £58k to £1,155k, a growth of 5.3%. The investment objective is CPI plus 3% over the medium term, this was 4.2% in the period.

Guarantees

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of members at 30 September 2014 was 42 (2013 - 41). The number of members is limited to 60. Council members are members of the charity but this entitles them to voting rights only.

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

REPORT OF THE COUNCIL (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Statement of responsibilities of the Council

The Council is responsible for preparing the Report and the financial statements in accordance with applicable law and regulations. Company law requires the Council to prepare financial statements for each financial year. Under that law the Council has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the affairs of the charitable company and of the surplus or deficit for that period.

In preparing these financial statements we are required to

- select suitable accounting policies and apply them consistently,
- observe methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charitable company will continue in operation.

We are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable it to ensure that the financial statements comply with the Companies Act 2006. We 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.

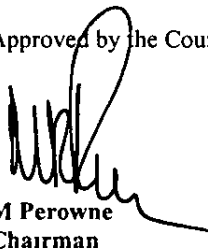
So far as each of the members of Council is aware at the time the report is approved

- there is no relevant audit information of which the Charity's auditors are unaware, and
- all steps have been taken by Members of Council to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution to re-appoint Haysmacintyre as auditors will be placed before members at the Annual General Meeting.

Approved by the Council on 23 January 2015 and signed on its behalf by



M Perowne
Chairman

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND COUNCIL OF
THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED**

We have audited the financial statements of The Royal British Legion Poppy Factory Limited for the year ended 30 September 2014 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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. Our audit work has been undertaken so that we might state to the charitable company's members 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 and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council and auditor

As explained more fully in the Statement of Responsibilities of the Council set out on page 9, the members of the Council (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2014 and of the charitable company's incoming resources and application of resources, including the income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



*Richard Weaver (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor*

*26 Red Lion Square
London
WC1R 4AG*

29 January 2015

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

STATEMENT OF FINANCIAL ACTIVITIES (incorporating and income and expenditure account)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	Restricted £	Unrestricted £	2014 Total £	2013 Total £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income – Getting you back to work	16	434,510	382,498	817,008	658,700
Activities for generating funds	2	-	387,095	387,095	349,854
Investment income	3	648	664,085	664,733	628,178
Incoming resources from charitable Activities					
Appeal Order		-	1,760,112	1,760,112	1,994,599
Beneficiary flats		-	172,513	172,513	167,807
Total incoming resources		<u>435,158</u>	<u>3,366,303</u>	<u>3,801,461</u>	<u>3,799,138</u>
RESOURCES EXPENDED					
Costs of generating funds	4	-	655,133	655,133	586,503
Charitable activities					
Appeal Order		7,044	1,760,112	1,767,156	2,008,564
Beneficiary flats		1,892	74,397	76,289	90,980
Getting you back to work		417,839	705,133	1,122,972	1,452,376
Total charitable expenditure		<u>426,775</u>	<u>2,539,642</u>	<u>2,966,417</u>	<u>3,551,920</u>
Total resources expended	4	<u>426,775</u>	<u>3,194,775</u>	<u>3,621,550</u>	<u>4,138,423</u>
Net incoming/(outgoing) resources before transfers between funds	5	8,383	171,528	179,911	(339,285)
Transfers between funds		-	-	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		8,383	171,528	179,911	(339,285)
Other recognised gains					
Revaluation of investment property	9	-	2,357,300	2,357,300	2,600,045
Gains on investments	10	-	40,504	40,504	147,662
Net movement in funds		<u>8,383</u>	<u>2,569,332</u>	<u>2,577,715</u>	<u>2,408,422</u>
Total funds brought forward		<u>150,711</u>	<u>17,917,137</u>	<u>18,067,848</u>	<u>15,659,426</u>
Total funds carried forward		<u>£159,094</u>	<u>£20,486,469</u>	<u>£20,645,563</u>	<u>£18,067,848</u>

The notes on pages 14 to 22 form part of these accounts

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in note 16.

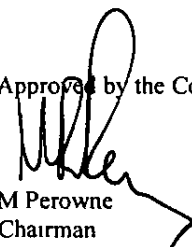
Governance costs of £19,383 (2013: £29,666) are shown in note 4 and allocated appropriately.

BALANCE SHEET

AS AT 30 SEPTEMBER 2014

	Notes	2014		2013	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	8		444,768		542,217
Investment properties	9		18,110,000		15,745,000
Other investments	10		1,094,748		1,096,646
TOTAL FIXED ASSETS			<u>19,649,516</u>		<u>17,383,863</u>
CURRENT ASSETS					
Stock	11	82,086		67,859	
Debtors	12	96,285		92,490	
Short-term deposits		430,265		513,560	
Cash at bank and in hand		913,485		644,798	
TOTAL CURRENT ASSETS		<u>1,522,121</u>		<u>1,318,707</u>	
CURRENT LIABILITIES					
Creditors amounts falling due within one year	13	526,074		634,722	
NET CURRENT ASSETS			<u>996,047</u>		<u>683,985</u>
NET ASSETS	15		<u><u>£20,645,563</u></u>		<u><u>£18,067,848</u></u>
FUNDS OF THE CHARITY					
Restricted funds	16		159,094		150,711
Unrestricted funds					
Revaluation reserve			17,423,374		15,185,655
Designated funds			1,161,674		1,244,379
General funds			1,901,421		1,487,103
			<u>20,486,469</u>		<u>17,917,137</u>
TOTAL FUNDS			<u><u>£20,645,563</u></u>		<u><u>£18,067,848</u></u>

Approved by the Council and authorised for issue on 23 January 2015 and signed on its behalf by



M Perowne
Chairman

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014		2013	
	£	£	£	£
Reconciliation of net outgoing resources to net cash flow from operating activities				
Net outgoing resources for the year		179,911		(339,285)
Investment income		(22,054)		(34,080)
Decrease/(increase) in debtors		(3,795)		(43,054)
Decrease/(increase) in stock		(14,227)		28,506
Increase/(decrease) in creditors		(108,648)		146,250
Depreciation		97,449		104,369
Net cash inflow/(outflow) from operating activities		<u>128,636</u>		<u>(137,294)</u>
Returns on investments and servicing of finance				
Investment income and bank interest		22,054		34,080
Capital expenditure and financial investment				
Expenditure on investment properties	(7,700)		(209,819)	
Purchase of investments	(910,517)		(377)	
Sale of investments	845,362		-	
		<u>(72,855)</u>		<u>(210,196)</u>
Net cash inflow/(outflow)		<u>£77,835</u>		<u>£(313,410)</u>

Analysis of change in net cash at bank, in hand, short term deposits and investment portfolio.

	At 30 September 2013 £	Net cash flow £	At 30 September 2014 £
Short term deposits	513,560	(83,295)	430,265
Cash at bank and in hand	644,798	268,687	913,485
Cash held in investment portfolio	122,140	(107,557)	14,583
Cash at bank, in hand, short-term deposits and investment portfolio	<u>£1,280,498</u>	<u>£77,835</u>	<u>£1,358,333</u>

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. ACCOUNTING POLICIES

- a) The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and investments and in accordance with applicable accounting standards and the Companies Act 2006 They follow the recommendations in the Statement of Recommended Practice - Accounting and Reporting by Charities (issued in March 2005)
- b) Voluntary income is received by way of donations and gifts and is included in full in the statement of financial activities when receivable Volunteer time is not included in the financial statements Unrestricted income for the Appeal Order matches the unrestricted expenditure for that activity
- c) Grants are included in the statement of financial activities in the year in which they meet the conditions of recognition
- d) Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable Depreciation of fixed assets purchased with such grants is charged against the restricted fund Where a fixed asset is donated to the charity for its own use, it is treated in a similar way to a restricted grant
- e) Resources expended are recognised in the period to which they relate Resources expended include attributable VAT which cannot be recovered Resources expended are allocated to the particular activity where the cost relates directly to that activity
- f) Support costs are administrative costs, including the provision of services for the benefit of Appeal Order staff and are charged as incurred based on the specific usage, where an allocation is necessary, an appropriate basis such as staff cost, staff numbers or floor space has been used depending on the nature of the expenditure
- g) Governance costs include those for the management of the charitable company's assets, organisational management and compliance with constitutional and statutory requirements These are allocated to activities based on an appropriate basis depending on the type of expenditure
- h) The costs of generating funds relate to the costs incurred by the charitable company in raising funds for the charitable work
- i) Depreciation is provided at rates calculated to write down the cost or revalued amount of tangible fixed assets other than land to their estimated residual value evenly over their expected useful lives The depreciation rates in use are as follows
- | | <u>Per annum</u> |
|-------------------------|------------------|
| Furniture and equipment | 15% - 20% |
| Plant and machinery | 20% |
| Motor vehicles | 20% |
| Freehold buildings | 3% - 10% |
- j) Items of equipment are capitalised where the purchase price exceeds £5,000 except in the case of computer equipment which is expensed in the year Expenditure related to the maintenance of the estate is expensed as incurred Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use
- k) Rentals for assets held under operating leases are charged to the Statement of Financial Activities as they become payable
- l) Grants payable to employers for the charity's employment activities are charged to the statement of financial activities to the extent that the charity is committed to paying the grant The amounts not included as expenditure in the year are noted as a commitment in the notes to the accounts

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

1 ACCOUNTING POLICIES (continued)

- m) Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.
- n) Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity.
- o) Designated funds are unrestricted funds allocated by the Council for particular purposes.
- p) Investment property is shown at the market value on a vacant possession basis. The value of investment property is reviewed every year with any gain/(loss) for the year being taken to the statement of financial activities. The split between commercial and beneficiary flats is reviewed annually. Beneficiary flats are valued at historical cost.
- q) Other investments are shown at market value at the balance sheet date, with any gain or loss for the year being disclosed in the notes and taken to the statement of financial activities.
- r) Stock is stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stock.
- s) The charity makes pension contributions to TRBL Pension Funds, comprising a Group Personal Pension and a defined benefit scheme, for those employees who have joined the schemes. The Poppy Factory's contributions to the defined benefit scheme are accounted for as and when they become payable in the year as they are fully funded under the terms and conditions and continuation of the Appeal Order.

2 ACTIVITIES FOR GENERATING FUNDS

	Restricted £	Unrestricted £	2014 Total £	2013 Total £
Office rental income	-	368,008	368,008	334,213
Shop sales	-	19,087	19,087	15,641
	<u>-</u>	<u>£387,095</u>	<u>£387,095</u>	<u>£349,854</u>

3. INVESTMENT INCOME

	Restricted £	Unrestricted £	2014 Total £	2013 Total £
Investment property	-	642,679	642,679	594,098
Bank interest	648	4,536	5,184	14,118
Investment portfolio distributions	-	16,870	16,870	19,962
	<u>£648</u>	<u>£664,085</u>	<u>£664,733</u>	<u>£628,178</u>

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

4. TOTAL RESOURCES EXPENDED	Staff costs	Other costs	Depreciation	2014 Total	2013 Total
	£	£	£	£	£
Cost of generating funds					
Shop sales	-	11,023	-	11,023	9,260
Office rental costs	18,243	139,837	85,732	243,812	147,673
Investment property costs	19,195	240,324	-	259,519	250,119
Fundraising costs	112,065	28,714	-	140,779	179,451
	<u>149,503</u>	<u>419,898</u>	<u>85,732</u>	<u>655,133</u>	<u>586,503</u>
Charitable activities					
Appeal Order	1,046,246	713,866	7,044	1,767,156	2,008,564
Beneficiary flats	14,879	61,410	-	76,289	90,980
Getting you back to work	511,360	606,939	4,673	1,122,972	1,452,376
	<u>1,572,485</u>	<u>1,382,215</u>	<u>11,717</u>	<u>2,966,417</u>	<u>3,551,920</u>
	<u><u>£1,721,988</u></u>	<u><u>£1,802,113</u></u>	<u><u>£97,449</u></u>	<u><u>£3,621,550</u></u>	<u><u>£4,138,423</u></u>

a) Support costs

Included above are the following support costs which have been allocated in accordance with the accounting policy (note 1f)

	2014	2013
	£	£
Staff costs	208,672	179,010
Canteen	42,898	42,338
Legal and professional	37,326	44,710
Depreciation	4,650	4,650
	<u>£293,546</u>	<u>£270,708</u>

(b) Governance costs

The following governance costs have been allocated against activities based on incoming resources

	2014	2013
	£	£
Staff costs	6,818	15,731
Audit fees	12,194	11,941
Council members' expenses	371	1,994
	<u>£19,383</u>	<u>£29,666</u>

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

5 NET INCOMING RESOURCES FOR THE YEAR	2014	2013
	£	£
This is stated after		
Depreciation	97,449	104,369
Rentals payable under operating leases	3,802	-
Auditors' remuneration		
- audit	12,194	11,941
- other services	1,449	2,354
	<u> </u>	<u> </u>

Council members do not receive any remuneration but they are reimbursed for expenses reimbursed to 2 (2013 2) members during the year totalling £281 (2013 £1,864) Expenses were

6 STAFF COSTS AND NUMBERS	2014	2013
	£	£
Staff costs were as follows		
Salaries and wages	1,362,526	1,334,979
Social security costs	119,297	114,364
Pension contributions	142,418	182,665
Other staff costs	97,747	112,167
	<u> </u>	<u> </u>
	£1,721,988	£1,744,175
	<u> </u>	<u> </u>

The number of employees whose emoluments during the year exceeded £60,000 were

	2014	2013
£70,001 - £80,000	1	-
£80,001 - £90,000	1	-
£90,001 - £100,000	-	1
	<u> </u>	<u> </u>

In connection with the higher paid employees the total employer contributions in the year to a TRBL Personal Pension plan was £23,481 (2013 12,717)

The average number of employees (full-time equivalent) during the year was as follows

	2014	2013
	No.	No.
Office rental	0 3	0 2
Appeal Order	30 7	32 3
Estate management, beneficiary and commercial flats	0 6	0 7
Getting you back to work	12 2	9 9
Fundraising	2 4	1 8
Governance costs	0 1	0 1
Support costs	2 4	0 9
	<u> </u>	<u> </u>
	48 7	45 9
	<u> </u>	<u> </u>

The above staff numbers do not include home workers, their costs of £72,894 (2013 £103,157) are included above

7. TAXATION

As a charity, The Royal British Legion Poppy Factory Limited is exempt from tax on income and gains falling within Part 11 of the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen on the charity.

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

8 TANGIBLE FIXED ASSETS	Freehold property £	Plant £	Furniture & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 October 2013	1,660,116	533,815	110,710	46,617	2,351,258
Transfer/Disposals	(16,714)	-	-	-	(16,714)
At 30 September 2014	<u>1,643,402</u>	<u>533,815</u>	<u>110,710</u>	<u>46,617</u>	<u>2,334,544</u>
Depreciation					
At 1 October 2013	1,148,042	522,469	108,613	29,917	1,809,041
Charge for the year	81,082	4,947	2,097	9,323	97,449
Transfer/Disposals	(16,714)	-	-	-	(16,714)
At 30 September 2014	<u>1,212,410</u>	<u>527,416</u>	<u>110,710</u>	<u>39,240</u>	<u>1,889,776</u>
Net book value					
At 30 September 2014	<u>£430,992</u>	<u>£6,399</u>	<u>-</u>	<u>£7,377</u>	<u>£444,768</u>
At 30 September 2013	<u>£512,074</u>	<u>£11,346</u>	<u>£2,097</u>	<u>£16,700</u>	<u>£542,217</u>

9 INVESTMENT PROPERTY	2014 £	2013 £
Market value at the start of the year	15,745,000	12,935,136
Expenditure on conversion in year	7,700	209,819
Revaluation	2,357,300	2,600,045
Market value at end of year	<u>£18,110,000</u>	<u>£15,745,000</u>

During the year final retention payments were made on the loft conversions completed in 2013 Nightingale Chancellors, Chartered Surveyors, carried out a valuation on 30 September 2014 of 12 representative flats at market value on a vacant possession basis From this the Council arrived at an increased valuation of the other 38 flats of £2,305,000 The carrying value of the properties will be reviewed every year

10 OTHER INVESTMENTS	2014 £	2013 £
Market value at the start of the year	974,506	826,467
Additions at historic cost	910,517	377
Disposals at carrying value	(845,362)	-
Realised gain on disposal	29,936	-
Unrealised gain on revaluation	10,568	147,662
Cash held as part of portfolio	<u>1,080,165</u>	<u>974,506</u>
	14,583	122,140
Market value at end of year	<u>£1,094,748</u>	<u>£1,096,646</u>
Historic cost at end of the year	<u>£1,043,486</u>	<u>£940,386</u>

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

10. OTHER INVESTMENTS (continued)	2014	2013
	£	£
Investments comprise		
UK Common Investment Funds	178,091	577,752
International Investment Funds	141,095	213,366
Investment in Portfolio Funds	507,247	87,131
Fixed Interest Funds	158,179	-
Investments in Hedge Funds & other funds	95,553	96,257
	<hr/>	<hr/>
	1,080,165	974,506
Cash and settlements	14,583	122,140
	<hr/>	<hr/>
Market value at the end of the year	<u>£1,094,748</u>	<u>£1,096,646</u>
The following investments represent 5% or more of the portfolio	£	
Newton Investment Fund	Real Return Fund	507,247
Jubilee Hedge Fund	Absolute Return Fund	81,052
UK Treasury Bills		59,937
		<hr/>
11. STOCK	2014	2013
	£	£
Raw materials	<u>£82,086</u>	<u>£67,859</u>
12. DEBTORS	2014	2013
	£	£
Trade debtors and prepayments	<u>£96,285</u>	<u>£92,490</u>
13. CREDITORS: amounts falling due within one year	2014	2013
	£	£
Trade creditors	152,186	114,515
Accruals and deferred income	174,373	325,777
Wages and holiday pay accrual	29,819	27,175
Taxation and social security	33,093	48,932
Pension	14,613	22,072
Amounts due to The Royal British Legion	91,548	95,676
Other	30,442	575
	<hr/>	<hr/>
	<u>£526,074</u>	<u>£634,722</u>
14. OPERATING LEASES		
At 30 September 2014 there were annual commitments under non-cancellable operating leases		Total
	Motor Vehicles	£
	£	
Annual commitments under non-cancellable operating leases expiring with one year	-	-
Between one and five years	4,565	4,565
	<hr/>	<hr/>
Total	<u>£4,565</u>	<u>£4,565</u>

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

15. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted funds £	Revaluation reserve £	Designated funds £	General funds £	Total funds £
Tangible fixed assets	6,399	-	438,369	-	444,768
Investment property	-	17,386,695	723,305	-	18,110,000
Other investments	-	36,679	-	1,058,069	1,094,748
Net current assets	152,695	-	-	843,352	996,047
Net assets at the end of the year	<u>£159,094</u>	<u>£17,423,374</u>	<u>£1,161,674</u>	<u>£1,901,421</u>	<u>£20,645,563</u>

16 MOVEMENTS IN FUNDS	1 October 2013 £	Incoming resources £	Outgoing resources £	Gains and transfers £	30 September 2014 £
Restricted funds					
Amenities and benevolent fund	84,016	648	(1,892)	-	82,772
Capital fund	13,443	-	(7,044)	-	6,399
GYBTW restricted fund	53,252	434,510	(417,839)	-	69,923
Total restricted funds	<u>150,711</u>	<u>435,158</u>	<u>(426,775)</u>	<u>-</u>	<u>159,094</u>
Unrestricted funds					
Investment property	15,029,395	-	-	2,357,300	17,386,695
Other Investments	156,260	-	-	(119,581)	36,679
<i>Revaluation reserve</i>	15,185,655	-	-	2,237,719	17,423,374
<i>Designated funds</i>					
Fixed assets fund	1,244,379	7,700	(90,405)	-	1,161,674
GYBTW fund	-	382,498	(382,498)	-	-
<i>Total designated funds</i>	<u>1,244,379</u>	<u>390,198</u>	<u>(472,903)</u>	<u>-</u>	<u>1,161,674</u>
<i>General funds</i>	1,487,103	2,976,105	(2,721,872)	160,085	1,901,421
Total unrestricted funds	<u>17,917,137</u>	<u>3,366,303</u>	<u>(3,194,775)</u>	<u>2,397,804</u>	<u>20,486,469</u>
Total funds	<u>£18,067,848</u>	<u>£3,801,461</u>	<u>(£3,621,550)</u>	<u>£2,397,804</u>	<u>£20,645,563</u>

Gains and transfers are made up of the following

- £53,252 GYBTW restricted fund is a restricted revenue grant brought forward and expended in year and is transferred to the GYBTW designated fund
- £119,581 other investment is made up of £10,568 unrealised gain in 2014 and reversal of £130,150 prior year unrealised gains following asset realisations, and
- £160,085 in general funds is gains on other investments realised in the year

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

16 MOVEMENTS IN FUNDS (continued)

Restricted funds

Amenities and benevolent fund The net accumulation of the unspent donations received for the benefit of the beneficiaries of the charity

Capital fund The net book value of fixed assets purchased through capital grants. This balance is reduced by the related depreciation charged in the year

GYBTW restricted fund Restricted donations received specifically for GYBTW purposes and used for the GYBTW programme including the payment of GYBTW grants

Revaluation reserve

Is made up of

- the property revaluation being the difference between the investment property valuation and its historic cost, and
- the other investment revaluation being the difference between the market valuation and historical cost

Designated funds

Fixed assets fund The net book value of fixed assets held for charitable and investment purposes purchased through unrestricted funds. Outgoing resources comprise depreciation on these assets

GYBTW fund Donations received specifically for GYBTW purposes and used for the GYBTW programme including the payment of GYBTW grants

17. STAFF PENSION FUNDS

The charity made contributions of £37k (2013 £74k) to TRBL Pension Fund defined benefit scheme which closed on 1 April 2010 and £106k (2013 £109k) to a TRBL Personal Pension plan

The charity made annual payments of £74k until March 2014 to make good a deficit on the defined benefit scheme and these are charged to, and recovered under, the terms and conditions of the Appeal Order. These amounts are included in the above defined benefit contributions. The Trustees do not believe that the Appeal Order will be terminated in the foreseeable future.

No contributions were made to TRBL defined contribution scheme during 2014 or 2013. The scheme was closed on 1 April 2010.

18. RELATED PARTY TRANSACTIONS

The Royal British Legion is the charity's major customer. They fund a contract with the charity against an agreed budget with any surplus/deficit being adjusted at the end of the financial year following changes in volume or variance in costs. TRBL also fund some capital purchases related to production of the Appeal Order. Total amount of income recognised during the year was £1,760k (2013 £1,995k) in respect of the Appeal Order. At the year end, £92k was payable to TRBL (2013 £96k).

19. CAPITAL COMMITMENTS

At 30 September 2014 the charity had no capital commitments

THE ROYAL BRITISH LEGION POPPY FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

20. GRANTS PAYABLE

To further the charity's objectives of providing work for disabled ex-Service men and women, the charity has entered into grant agreements with 18 employers (2013 57) for between £3,000 and £15,000 p a in respect of 19 beneficiaries (2013 66) The contractual notice of the agreements is three months and the usual notice period of the beneficiaries is one month However, the charity is committed for periods of up to two years to fund the employment costs of these beneficiaries and the full commitment in respect of all existing contracts is as follows

	2014 £	2013 £
Due within one year	38,018	235,479
Due after more than one year	4,625	6,250
Total	<u>£42,643</u>	<u>£241,729</u>