WHERE THE MONEY COMES FROM

Fig 1 – how the income was raised £m

<table>
<thead>
<tr>
<th>Category</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Poppy Appeal</td>
<td>41.6</td>
</tr>
<tr>
<td>Donations and legacies</td>
<td>40.7</td>
</tr>
<tr>
<td>Events, lotteries and trading</td>
<td>19.6</td>
</tr>
<tr>
<td>Fees charged to care home residents</td>
<td>13.8</td>
</tr>
<tr>
<td>Grants to pay for welfare services and Remembrance</td>
<td>6.2</td>
</tr>
<tr>
<td>Membership subscriptions</td>
<td>4.8</td>
</tr>
<tr>
<td>Investment income</td>
<td>4.7</td>
</tr>
<tr>
<td>Other income</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>133.5</strong></td>
</tr>
</tbody>
</table>

WHERE THE MONEY GOES

Fig 2 – how the money was spent £m

<table>
<thead>
<tr>
<th>Category</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Running our care homes and break centres</td>
<td>21.6</td>
</tr>
<tr>
<td>Providing welfare services to our beneficiaries</td>
<td>39.7</td>
</tr>
<tr>
<td>Supporting our Membership</td>
<td>7.9</td>
</tr>
<tr>
<td>Campaigning on behalf of our beneficiaries</td>
<td>10.2</td>
</tr>
<tr>
<td>Remembrance</td>
<td>4.8</td>
</tr>
<tr>
<td>Comradeship</td>
<td>0.9</td>
</tr>
<tr>
<td>Raising the money</td>
<td>28.8</td>
</tr>
<tr>
<td>Governing the charity</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>115.2</strong></td>
</tr>
</tbody>
</table>

WHAT WE OWN (£M)

<table>
<thead>
<tr>
<th>Category</th>
<th>£M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings used by the charity</td>
<td>77.1</td>
</tr>
<tr>
<td>Buildings occupied by third parties</td>
<td>71.2</td>
</tr>
<tr>
<td>Working capital used to run the organisation</td>
<td>66.1</td>
</tr>
<tr>
<td>Investments held to ensure we honour our commitments</td>
<td>97.1</td>
</tr>
<tr>
<td>Other assets and liabilities</td>
<td>(7.6)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>303.9</strong></td>
</tr>
</tbody>
</table>
2014 was an important year for the UK, and the Legion. It saw the 100th anniversary of Britain entering the First World War and provided an opportunity for us to engage with new supporters in new ways. From the poppies in the moat at the Tower of London to commemorative events held in villages and towns across the country, the Legion was involved in the nationwide events that marked the sacrifice of those who fought 100 years ago. The 2014 Poppy Appeal was the culmination of a lot of planning and campaigning during our financial year 2013/14.

We always set ourselves a number of challenges to ensure that we continue to provide our beneficiary community with the best possible support and advice, and 2014 was no different. We have increased our dementia support with the opening of The Lodge at Dunkirk Memorial House, started the groundwork for increasing our employability services, and our campaigning work has gone from strength to strength. We achieved victories on our Pre-General Election Manifesto issues before the polls had even opened and two influential surveys were carried out to find out how we can best support the Armed Forces community in the future.

We have introduced our new brand position, ‘Live On – to the memory of the fallen and the future of the living’. We have chosen ‘Live On’ as it embraces the two equally important parts of our work. As the national custodian of Remembrance we ensure the memories of those who have fought and sacrificed in the British Armed Forces live on through the generations, and through our welfare work we help the British Armed Forces, veterans, and their families to live on to a more hopeful future.

We have been seen in new places by new people, and found ourselves some new friends. Cast members of Strictly Come Dancing, including Darcey Bussell and Judy Murray, joined us in Trafalgar Square to unveil the Every Man Remembered statue and musicians Joss Stone and Jeff Beck performed the official Poppy Appeal single at the Festival of Remembrance, which also featured moving performances from the cast of War Horse and D-Day veteran Jim Radford.

On 4 August 2014 Lights Out events were held across the country to mark Britain’s entry into the First World War. 51% of all the registered events were organised by Legion branches and brought together people of all ages, backgrounds and faiths to hold a moment of shared recollection and remembrance. The National Grid estimated that across the nation over 3 million people turned off their electric lights.

The development of the new Visitor Centre at the Legion-owned National Memorial Arboretum (NMA) has been progressing and under current plans the new centre will welcome visitors to this year-round centre for Remembrance from Autumn 2016. The NMA will also become home to the Camp Bastion Memorial in 2015 where it has been rebuilt following the withdrawal of British Armed Forces from Afghanistan.

As always we have been astonished by the generosity of the general public, not just during the Poppy Appeal, but throughout the year. Whether it is individual fundraisers holding a cake sale at their local church or a nationwide company donating money from the sale of their products, every single penny that is donated to us helps us carry out our vital work.

John Crisford
National Chairman

Chris Simpkins
Director General

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Many people link The Royal British Legion with the poppy, and Remembrance, but that is not all we do as a charity. We provide lifelong support for the Armed Forces community all year round. Though we are a national organisation, we work in local communities across the UK, providing information, advice and support where it is needed most. Whether it is money worries, a seaside break with the family, careers advice after Service, independent living or care in later life, we are here to help.

TRUSTEES’ REPORT
WHAT WE ACHIEVED IN 2014

Many people link The Royal British Legion with the poppy, and Remembrance, but that’s not all we do as a charity. We provide lifelong support for the Armed Forces community all year round. Though we are a national organisation, we work in local communities across the UK, providing information, advice and support where it is needed most. Whether it is money worries, a seaside break with the family, careers advice after Service, independent living or care in later life, we are here to help.

We have made that support accessible to more people than ever this year with city centre and community-based outreach centres. December 2013 saw the opening of our first Pop In centre in the heart of Liverpool and since then we have added another 11 locations across England, Wales and Northern Ireland. These centres are based in the middle of busy towns and cities and provide the Armed Forces community with the opportunity to connect with the Legion while they are out and about doing their shopping or banking. We have also opened smaller outreach centres in community centres, libraries and council premises in areas that do not have one of our main offices close by.
There are over 700,000 people in the UK with dementia and over the next 30 years this is expected to double. To support this growing area of need we opened our fourth specialist dementia care wing at Dunkirk Memorial House in Somerset in March 2014. Sitting alongside the main building, the purpose-built Lodge has 30 en suite bedrooms and a large garden for residents to enjoy. We cared for over 650 people in our six care homes in England this year and as Legion care homes are exclusively for ex-Service personnel, or their dependants, there is a real sense of camaraderie and shared experience, something which can be especially important in a dementia care unit.

These are just a few examples of the Legion’s work over the past 12 months to provide direct support for our beneficiaries. We have also supported over 400 injured, wounded or sick members of the Armed Forces through the Battle Back Centre at Lilleshall, providing adaptive sport and adventurous training as a means to recovery. Our specialist health and welfare advisors have provided outreach services to over 1,100 vulnerable beneficiaries such as homeless veterans and prison leavers, and more than 18,500 people have been able to go on a much needed break, giving them time away from the stresses and strains of everyday life.
The 2014 Poppy Appeal gave us the opportunity to introduce our new Live On brand. This is a simple and memorable way to link our twin commitments to the memory of the fallen and the future of the living. We want people to understand that the poppy is not just about Remembrance; it is also about giving hope to the Armed Forces community of all ages throughout the year. It was particularly apt for us to introduce it in the Centenary year as it allows us to reflect on the conflict that led to the founding of the charity, as well as look forward to the work we have planned for the future.

To launch the Appeal we recreated the watch kept over the body of the Unknown Warrior in 1920, inviting 83 people to stand at the Cenotaph, ‘keeping watch’ over the memories of their loved ones and colleagues for 30 minutes each in central London. One of those who took part was Grammy Award-winning singer Joss Stone, remembering her great-great grandfather who was killed at the Somme. Joss also supported us by releasing the official Poppy Single, No Man’s Land (Green Fields of France) with legendary guitarist Jeff Beck.

The cast of Strictly Come Dancing came down to Trafalgar Square to help launch the stunning Every Man Remembered statue, which commemorates all the British and Commonwealth Forces who died in the First World War.
Many people think that the Legion only fundraises for the three weeks of the Poppy Appeal in October and November. In reality, we have a year-round programme of fundraising and there have been some amazing feats to support that effort this year. In June 78-year-old David Powell became the oldest person to jump out of a plane at 30,000ft when he tandem sky-dived, strapped to a former member of the US Special Forces. David’s fantastic effort raised well over £6,000 for the Legion. We also had plenty of support on terra firma as well, with fundraisers taking part in running events such as the London and Brighton marathons and the summer Poppy Walks, as well as cycling hundreds of kilometres on the ever-popular Pedal to Paris ride and the Ypres Battlefield ride to commemorate the First World War.

We have also had fantastic support from our corporate partners throughout this year, with Sainsbury’s celebrating 20 years raising money for the Poppy Appeal with extensive in-store support, and Coventry Building Society reaching £10 million in donations over the last 8 years. The Lights Out campaign also received a fundraising boost from Marks and Spencer who sold over 77,000 commemorative candles to raise money for the Legion.

The Legion’s membership has reached out to a younger generation through a project set up by Plymouth City Council. The group supports Service children through the unique challenges they face when one or both parents are in the Armed Forces and the Plymouth Crownhill branch was approached to get involved with them. After the branch donated a huge map so the group could keep track of where all their parents were serving, the children wanted to become more involved in Legion activities. Since then they have been eager Poppy Appeal collectors, raising over £2,000, and some have even begun Standard Bearer training.

“In June, 78-year-old David Powell became the oldest person to jump out of a plane at 30,000ft when he tandem sky-dived, strapped to a former member of the US Special Forces.”
“888,246 ceramic poppies were hand planted in the moat at the Tower of London to remember the British and colonial forces who died during the war.”

We were immensely proud to be one of the beneficiary charities of the Blood Swept Lands and Seas of Red installation at the Tower of London in August 2014. The First World War commemoration truly captured the imagination of the nation and, indeed, a worldwide audience. 888,246 ceramic poppies were hand planted in the moat at the Tower of London to remember the British and colonial forces who died during the war. An estimated 4 million people visited the Tower to see the poppies, all taking time to remember those who fell 100 years ago, showing that Remembrance is still a vital part of modern life.

“We brought Remembrance to life for thousands of school children, thanks to a grant from the Heritage Lottery Fund.”

We brought Remembrance to life for thousands of school children, thanks to a grant from the Heritage Lottery Fund. Building on the brainchild of the Greenhithe and Swanscombe branch, we were able to send every school in the UK a packet of poppy seeds to plant in their school grounds. Prime Minister David Cameron lent his support to the campaign, inviting a group of children from Southwark to Downing Street to help him plant some seeds of his own in the garden of Number 10.

The Centenary also gave us the opportunity to reach people at a time of year when they would not necessarily be thinking about the Legion, or Remembrance. We teamed up with HRH The Duke of Cambridge and Fields in Trust to launch Centenary Fields to create green spaces across the UK that are protected for future generations to commemorate the First World War. We carried on the green-fingered theme by joining forces with Ashridge Nursery in Somerset to encourage people to plant a living legacy such as an apple tree or a rose bush to remember those who died in the war.
The Legion has also extended its reach through the Combined Services sports teams. We were the chosen charity at the British Army vs the Bundeswehr Game of Truce in December 2014 to commemorate the Christmas Day football matches during the First World War. Our sponsorship of the Combined Services rugby team garnered the support of legends of the sport, the Barbarians, who wore the poppy on their shirts for all three matches they played during the 2014 Poppy Appeal, including the match in Bath against the Combined Services team.

“We were the chosen charity at the British Army vs the Bundeswehr Game of Truce in December 2014 to commemorate the Christmas Day football matches during the First World War.”

“We hosted two events at Bayeux Cathedral and Bayeux Cemetery to honour those who were returning to the beaches of Normandy and remember those who died there 70 years ago.”

The centenary of the First World War wasn’t the only commemoration in 2014. 6 June was the 70th anniversary of the Normandy Landings and we hosted two events at Bayeux Cathedral and Bayeux Cemetery to honour those who were returning to the beaches of Normandy and remember those who died there 70 years ago. We were fortunate to host the Royal Family and Heads of Government and we were featured in six hours of live coverage across the BBC. One of those veterans who returned was Len Bloomfield, who revisited Sword, the beach where he supported the landing ships as a Royal Marine in 1944. Very sadly Len passed away in November 2014, a poignant reminder that we need to cherish our older veterans while they are still with us.

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We had campaigning success with changes secured to the War Pension Scheme and the Armed Forces Pension Scheme 1975. Previously thousands of Armed Forces widows stood to lose their military pensions if they married, or moved in with, a new partner. In November 2014 the Prime Minister announced that, in future, all widows, widowers and civil partners of members of the Armed Forces would be able to keep their pensions when they fall in love again, even if they remarried or began co-habiting. This is a landmark verdict, especially as our household survey showed that Armed Forces spouses are less likely than the general population to be in employment and therefore have an independent source of income.

WHAT WE SAID WE’D DO:

• Open more high street and outreach locations to reach more beneficiaries
  December 2013 saw the opening of our first Pop In centre in Liverpool and since then we have added another 11 locations across England, Wales and Northern Ireland.

• Open a new dementia wing at Dunkirk Memorial House
  The 30-bedroom, purpose-built Lodge at Dunkirk Memorial House was opened in March 2014, providing around the clock specialist dementia care in its safe surroundings. This is the fourth dedicated dementia wing that we have built at our care homes, offering help to people with dementia and their carers.
• Expand our work in theatrical performance as an aid to recovery

Following the success in 2013 and 2014 of Bravo 22 Company and the play *The Two Worlds of Charlie F*, the Legion has decided to build on the benefits of confidence and motivation the programme gave to its initial 40 participants and extend the theatre project out to its wider beneficiary community. The new Bravo 22 production premiered at the Waterside Theatre in Aylesbury in March 2015 and similar projects will be organised in Plymouth and Newcastle in 2015-2016.

• Play a leading role in First World War Centenary commemorative events during 2014-2018

The Legion worked closely with Government, local authorities, other charities, members, volunteers and supporters to ensure that the sacrifice of those men and women was not forgotten, even a century on. We brought the country together with the *Lights Out* campaign and introduced thousands of children to Remembrance by providing poppy seeds to every school in the UK.
• Conduct the largest household survey of veterans since 2005

In November 2014, the Legion published the results of the most comprehensive survey into the needs of the ex-Service community that has been undertaken in ten years. The results of this survey will be used to influence how local authorities, Government departments, other charities and MPs treat the veteran community in the future. For more information go to www.britishlegion.org.uk/2014survey

• Broaden the base of groups supporting our Remembrance and fundraising work

The Legion works hard to ensure that as many people as possible are involved with our Remembrance activities. Thousands joined together in Trafalgar Square at 11am on Armistice Day 2013 for Silence in the Square, while millions listened to and watched the Festival of Remembrance and Cenotaph parade on the BBC. City Poppy Days across England showed the diversity of groups supporting us with local Muslim, Sikh, military, student and sporting communities all joining in to make it a record-breaking year.

“City Poppy Days across England showed the diversity of groups supporting us with the local Muslim, Sikh, military, student and sporting communities all joining in to make it a record-breaking year.”
• Broaden the reach of our military membership scheme

The military membership scheme is based online and is free to all Service personnel who wish to join. In the past 12 months the number of military members has gone up by 61%. Service leaver membership of the Legion is free for the first 12 months after leaving and we will continue to develop the scheme.

• Continue our work on Branch Property Trusts to ensure Legion assets are used to best serve our current beneficiaries

Work has been continuing to review how Branch Property Trust assets are used and managed to ensure that the 21st century needs of beneficiaries are met as effectively today as when the trusts were first established. Full details can be found in the financial review on page 34.

• Build on the number of ways that people can support us year-round

We have many year-round fundraising opportunities, from sporting events such as the London Marathon and Pedal to Paris, to community-based initiatives like Poppies Picnics. For more information go to www.britishlegion.org.uk/about-us/calendar-of-events

“The military membership scheme is based online and is free to all Service personnel who wish to join. In the past 12 months the number of military members has gone up by 61.”
LOOKING FORWARD

In the coming 12 months we will:

- Open our final four Pop In centres in Aylesbury, Colchester, Derby and Newcastle.
- Expand our employability services to spouses and family members as well as new Service leavers.
- Build our fifth Dementia Care Unit at Maurice House in Broadstairs, Kent.
- Expand our Admiral Nurse services into Hampshire and Somerset.
- Launch a new Hearing Aid Equipment fund.
- Reinvigorate and support neighbourhood services such as Legion branch visitors, to help us to reach more lonely and isolated older and disabled veterans and their carers.
- Expand our external grants programme to support more local charities across the UK.
- Survey our overseas branches and determine how to better support them and our beneficiaries using the contact centre and online knowledge base.
- Recruit and train more volunteers to support the delivery of the 16 areas’ information and casework output.
- Be the leading Service charity at commemorations for all members of the Service community. We will work closely with the Ministry of Defence at VE and VJ Day events, host a reception for contemporary Afghanistan veterans and engage with current Service personnel at Armed Forces Day. We will also work with Government departments in preparation for the Battle of the Somme Centenary.

- Encourage statutory and partner agencies to use the Household Survey to produce local veterans’ strategic needs assessments to plan local services.
- Engage local councillors and MPs in our policy campaigns.
- Provide opportunities for Legion members, and serving members of the Armed Forces community, to support the Legion as volunteers.
- Support the development and migration of the membership and volunteer database system.
- Support City Poppy Appeals with community fundraising.
- Engage corporate partners at regional and local level.

OUR VISION

The nation fully embraces and upholds the welfare, interests and memory of the Armed Forces community.

OUR MISSION

To be the No.1 provider of welfare, comradeship, representation and Remembrance for the Armed Forces community.

OUR OBJECTIVES

A beneficiary of The Royal British Legion is defined in the Royal Charter and may be summarised as any man or woman who is serving or has served and received a minimum of seven days’ pay in Her Majesty’s Armed Forces or the forces of an allied nation. Our prime object is to relieve need and to further the education of beneficiaries and their spouses, children and dependants.
BOARD OF TRUSTEES

BIOGRAPHIES

VICE-ADMIRAL
PETER WILKINSON CB CVO
NATIONAL PRESIDENT

Peter was appointed as the National President in October 2012. He joined the Royal Navy in 1975 and, after a career in the submarine service and a final appointment as Deputy Chief of the Defence Staff (Personnel), retired in 2010 with the rank of Vice-Admiral. Peter is Chairman of the maritime charity Seafarers UK, Vice-Chairman of the Forces Pension Society, Vice-President of Combat Stress and Patron of ‘Soldier On’ and the Loch Class Frigates Association.

JOHN CRISFORD
NATIONAL CHAIRMAN

John was elected as the National Chairman in May 2013. He joined the Army in 1957 and served in the Bands of The Royal Horse Guards (The Blues) and the REME Staff Band; he also served as a member of the Royal Army Pay Corps. John left the Army in 1981 with the rank of Staff Sergeant. Following employment in local government, with LG Software and a nationwide flooring company, John retired from full-time employment. He was elected to the Board of Trustees in 2006.

TERRY WHITTLES
NATIONAL VICE-CHAIRMAN

Terry was elected as the National Vice-Chairman in 2014. He joined the Army in 1966 and served as a Linguist in the Intelligence Corps. Terry retired from the Regular Army in 1981 with the rank of Warrant Officer; he then served in the Territorial Army for twelve years before retiring with the rank of Major. Following positions in the Civil Service, the Defence Evaluation and Research Agency, ICL (now Fujitsu), a retail outlet and a period of self-employment, Terry retired from full-time employment. He was elected to the Board of Trustees in 2006.
DENISE EDGAR

Denise was elected as a Trustee in 2011, and re-elected in 2014. She has been actively involved with the Legion for the past 25 years and brings a great deal of membership experience to the Board. Denise is currently the Vice-Chairman of the Membership Council.

LIEUTENANT COLONEL JOE FALZON OSJ BEM

Joe was elected as a Trustee in 2014. He joined the Army in 1963 and retired in 2001 with the rank of Lieutenant Colonel. He served as the Legion’s Head of Governance & Administration until 2010 when he took early retirement. Joe brings a wealth of administrative experience to the Board.

MARILYN HUMPHRY

Elected as Chairman of the Women’s Section in 2014, Marilyn, by virtue of her Office, is a member of the Board of Trustees in accordance with the Rules contained in the Royal Charter.

MAJOR GENERAL DAVID JOLLIFFE CB FRCS

David was appointed as a Trustee in 2012. He was commissioned into the Royal Army Medical Corps in 1967 and retired in 2003 with the rank of Major General. The Legion’s work on behalf of the ex-Service and serving community is close to David’s heart and he is able to add his personal contribution to that work.

ADRIAN BURN

Appointed as a Trustee in 2009, Adrian chairs the Audit Committee. A Chartered Accountant, he brings a wealth of financial experience to the Board.

JASON COWARD

Appointed a Trustee in May 2014, and with extensive experience in brand marketing and communications, Jason has particular interest in the marketing of the Legion and its brand development. He has worked with both commercial and third sector organisations, and now runs his own marketing consultancy.

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Catherine was appointed as a Trustee in 2013. She has an Executive MBA from Said Business School, and degrees from US and UK universities. Catherine is currently Said Business School’s Chief Operating Officer and Associate Dean of administration/operations. She has served on several boards and brings a welcome breadth of experience to our own Board of Trustees.

Neil was elected as a Trustee in 2014. He joined the Army in 1974 and retired in 2010 with the rank of Colonel. As a former soldier with 37 years’ experience, Neil has a deep understanding of the needs of the Armed Forces community. Such experience and skills make him an ideal member of the Board of Trustees and he currently chairs the Conference Committee.

Martyn was re-elected as a Trustee in 2014 and is now in his final term of Office. He joined the Army in 1974 and retired in 1996 with the rank of Warrant Officer. Martyn then joined the Staffordshire Police as a member of the Support Staff and retired in 2014. He believes that, by being a member of the Board of Trustees, he can help to shape the future of our organisation and maintain the very strong links with the membership at both national and local levels.

David was elected as a Trustee in 2013. He was commissioned from the Royal Military Academy Sandhurst in 1985 and remains a serving soldier with the rank of Lieutenant Colonel. David is passionate in his support of The Royal British Legion and its relevance in today’s society and is the chair of the Membership Council and newly formed NMA Trustees Committee.
The majority of income raised by the Legion comes from voluntary donations. In 2014 voluntary income generated £82.3 million (2013: £75.6 million) which after fundraising costs was £66.9 million net (2013: £61.7 million). This income is enhanced by further net income of £6.5 million (2013: £6.4 million), after related costs, from commercial activities such as lotteries and the sale of merchandise and by investment income of £4.7 million (2013: £4.6 million). Income from charitable activities, principally from care home charges and membership fees, is more than matched by the legislated costs of these activities. Whilst these activities are managed on a net basis, the gross income and costs are shown in the accounts to comply with accepted accounting policies.

From the perspective of voluntary income, 2014 was a successful year for the Legion. The 100th anniversary of Britain entering the First World War increased public awareness of and support for the Legion’s work, reflected in a 9% increase in income from generated funds. This increase also demonstrates the impact of investments made to acquire new regular givers and lottery players, part of a long-term strategy to reduce the charity’s reliance on one-off cash donations. These investments, included in the £7 million increase in the cost of generating funds, will help build a strong and diversified portfolio of fundraising products for the future.

Despite the increase in income, the Legion’s reserves continue to be under pressure. At the start of the year, free reserves were below the Trustees’ target range of three to six months unrestricted expenditure. With such low reserves, the Legion could not take the risk of delivering a deficit. We therefore wrote a large scale budget, limited any growths in our charitable activities, whilst reinforcing to our staff the need to spend every pound of the charity’s money wisely. In the event, fundraising income exceeded our expectations and we delivered a significant surplus.

This now gives us the opportunity to revisit our long-term financial plans and consider how the additional funds can be best spent to support the Legion’s beneficiaries.

2014 was also a year of transition for the Legion’s welfare services. Our ‘Pathway for Growth’ strategy has been implemented, resulting in greater use of electronic and telephone contact from beneficiaries, the opening of 13 new ‘Pop In’ centres for face to face support (with a further three opening in 2015) and a reduced focus on supporting our beneficiaries through individual grants in favour of personalised advice, ensuring that individuals are fully informed of their rights and able to access the statutory benefits they are entitled to. The effect has been to increase the long-term impact of the support we provide whilst significantly reducing the cost per intervention. We also achieved savings by bringing our financial advice service in-house. The result was an £11 million reduction in the cost of our charitable activities.

Our challenge for 2015 is to extend our reach further and seek out those potential beneficiaries as yet untouched by the Legion.

Overall, the Legion generated incoming resources before other recognised gains and losses of £18 million, ending the year with a strong balance sheet and high levels of liquidity. Group cash (£75 million) and investments (£97 million) totalled £172 million at 30 September 2014 and, after other recognised gains and losses, total funds increased to £304 million. However, the majority of these assets continue to be restricted or designated in nature or tied up in fixed assets and not immediately available to spend on the Legion’s general charitable purposes.

**BRANCH PROPERTY TRUSTS**

At 30 September 2014, the Legion held £66 million in restricted Branch Property Trust funds, predominantly proceeds from the sale of properties held in corporate trusteeship. As a result of the current strong market conditions, the Trustees have decided to sell the remaining £35 million of branch property trust funds over the next five years. This will enable the cash to be spent in an emergency, which could be spent at short notice, which is of the view that the Legion is put back onto a stable footing.

The Legion is the corporate trustee of some 393 properties which are held under Branch Property Trusts and let to independent commercial operations, primarily affiliated social clubs. In addition, 32 local trust properties are included in these accounts. These are properties held by named individuals (usually Branch Committee members) for the benefit of a specific Legion Branch.

**RESERVES**

The Legion holds reserves to ensure that services to beneficiaries can continue during a period of unforeseen difficulty. Our reserves policy is set with reference to the financial risks facing the charity. The Legion is heavily dependent on volunteer support and donations from the public to enable it to carry out its work. Our biggest risk is that our income might suddenly drop due to unforeseen factors outside of our control. In these circumstances, reserves would need to fund between three and six months’ operating expenditure while the organisation is put back onto a stable footing. During the year, the Trustees reviewed the key financial risks facing the charity and concluded that the Legion should seek to hold reserves at the upper and at that range.

The Legion sets its reserves policy with reference to ‘free reserves’. Free reserves are those unrestricted funds immediately available to Trustees at short notice, which could be spent in an emergency. During the year, free reserves were redefined to include the unrestricted central benevolent fund and those designated funds which are held in central cash deposits. At 30 September 2014, the Legion’s free reserves were £35 million, representing approximately 3 months’ unrestricted forward expenditure, at the lower end of the target reserves range. However, free reserves are calculated after providing for some £14.2 million for the Legion’s long-term grant commitments which are of a non-recurring nature. Taking these factors into account, together with the anticipated release of funds from the Branch Property Trusts, the Trustees are of the view that the Legion has adequate working capital for its foreseeable requirements.

**INVESTMENT PROPERTIES**

The Legion is the corporate trustee of some 393 properties which are held under Branch Property Trusts and let to independent commercial operations, primarily affiliated social clubs. In addition, 32 local trust properties are included in these accounts. These are properties held by named individuals (usually Branch Committee members) for the benefit of a specific Legion Branch.

The Legion’s investment properties were first valued in 2009 when they were transferred out of the functional property portfolio. As part of the comprehensive information on title restrictions and restrictive covenants was not always available for every property and a significant number of lease renewals were held over. Under the circumstances, the surveyors had to use assumptions to complete their valuation. In the intervening five years, the management of the Legion’s properties has become more professional.
Leases have been brought up to date, a new property database has been introduced and our understanding of the legal framework underpinning our properties has improved. This has allowed a more accurate valuation to take place in 2014, which revealed that some of the assumptions used in 2009 were not appropriate and the market value quoted was too high.

This did not become apparent in the years since the 2009 valuation because when investment properties are sold, they tend to be sold at a profit. This is because properties are sold when they become surplus to requirements, usually when a club closes, making them more valuable than properties with tenants in situ.

Since the last market valuation in 2009, the market value of the Legion’s properties with vacant possession has increased to £91m. However, because of the greater information now available to us and the regularisation of the leases which were being held over, the market value under the existing lease has fallen by a net £14.2 million. Properties sold during the year generated a profit of £2 million.

FINANCIAL INVESTMENTS

After adjusting for a £10 million transfer from investments to cash, the value of the Group’s financial investments increased by £4 million to £397 million. The investment portfolio is invested through investment managers. The charity’s main investment portfolio (representing 73% of the value of funds under management at 30 September 2014) is managed by Cazenove Capital Management Limited. The Poppyscotland portfolio is managed by Sarasin & Partners. Branch and County investments are predominantly held in the Charities Official Investment Fund (COIF) with CCLA.

The mandates agreed with the Legion’s investment managers specify the level of risk that can be undertaken by defining asset classes and ranges, benchmarks and acceptable volatility. The investment managers have total discretion within these parameters. No specific ethical investment restriction is placed on the investment managers’ remit.

The mandate agreed with Cazenove has the following dual objectives:

- To minimise the risk of the assets falling by more than 10%; and
- To maintain the real value of assets and target an investment return in excess of annual increases in the Retail Price Index.

During the year, the allocation of assets within the Cazenove portfolio was adjusted to take account of market conditions. This involved increasing the weighting of equities and reducing the weighting of bonds. The revised benchmarks are 35% for equities, 40% for bonds, 25% for hedge funds and 5% for cash.

GRANT MAKING

Grants are made to individuals in immediate need following an assessment of the beneficiary’s financial situation. These grants, in the form of cash, goods or services, are small in value but large in volume. In 2014, we spent £11 million on individual grants (2013: £14.2 million). The cost of these grants has reduced, reflecting the move towards a new model of personalised advice and support for beneficiaries.

External grant giving is applied where a third party has skills or facilities unavailable within the Legion’s resources. In 2014, grants were awarded to 41 organisations totalling £2.3 million (2013: 31 organisations totalling £3.8 million).

ORGANISATIONAL STRUCTURE, GOVERNANCE AND MANAGEMENT

The Legion has a head office in London where the Director General and the supporting Board of six Executive Directors are based. There is a network of offices in England, Ireland, Scotland and Wales which provides facilities for beneficiaries, local members, volunteers and staff. Care home services and Poppy Breaks are delivered through the Legion’s premises around the country. The Poppy Calls service is organised from a call centre in Huntingdon, and the Legion’s Contact Centre is based in Cardiff. The National Memorial Arboretum (NMA), the home of the Armed Forces Memorial, is situated in Alrewas, Staffordshire. The charity’s branches are located throughout England, Wales and Northern Ireland and overseas.

The Legion’s governing document is the Royal Charter which was first granted in 1923. The Board of Trustees has the responsibility for its implementation and review but amendments to the Charter require the passing of a Special Resolution at an Annual Conference before they can be subsequently ratified by a Special Resolution of the Board of Trustees and allowed by Her Majesty the Queen in Council.

BOARD OF TRUSTEES

The Board of Trustees is responsible for the overall governance, policy and work of the Legion. All substantive decisions are made by the Board of Trustees within the bounds of the Royal Charter and the Legion’s Vision, Mission and charitable objects.

The Board provides overall policy direction, management of the charity is delegated to the Director General and through him to the Board of Executive Directors. Current membership of the Executive Board is shown on page 65 of this report.

The Board of Trustees meets six times per year and comprises 16 Trustees:

- The Chairman and Vice-Chairman are elected by all Branches;
- Seven Trustees are elected by all Branches;
- Six Trustees are appointed by the Board of Trustees. Invitation is by open advertisement and selection takes place through the Governance Committee; and
- The Chairman of the Women’s Section is elected by the members of the Women’s Section at the Women’s Section National Conference.

The Board has the responsibility for preparing the Trustees’ Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales 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 charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and 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 do so.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the charity’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COMMITTEES OF THE BOARD

The Board of Trustees has eight committees that report to it, all of which have written terms of reference.

The Membership Council has responsibility for the direction and implementation of all membership issues; the Conference Committee oversees the organisation of the Annual Conference.

Three Committees form an integral part of the governance of the charity:

- The Governance Committee – makes recommendations on Trustee appointments and monitors governance best practice;
TRUSTEES’ REPORT

The Audit Committee – reviews the significant judgments made in the accounts prior to Board approval. It provides for regular communication between the Trustees and the external and internal auditors, monitors risk management procedures and approves the internal audit programme.

The National Memorial Arboretum (NMA) Board of Trustees – newly established this year. It provides oversight and direct governance to the operations of the National Memorial Arboretum Company Ltd.

Three Committees oversee the resources of the charity:

The Finance Committee – reviews, recommends and monitors compliance with the reserves and investment policies. It reviews the annual budget, oversees and monitors the Investment Portfolio and addresses any other financial matters referred to it by the Board of Trustees.

The Property Committee – recommends strategy and monitors performance in relation to functional property developments, oversees significant acquisitions or disposals and ensures these properties are appropriately maintained;

The Branch Property Trusts (BPT) Trustee Committee – recommends strategy and monitors compliance in relation to the management of properties, income and assets held by the Branch Property Trusts and approves property disposals.

CORPORATE STRUCTURE

The Legion has an extensive corporate structure comprising:

• The charity;
• Eight wholly owned subsidiaries, six of which are included in the consolidated accounts and two of which are dormant; and
• Acting as the custodian trustee for one charity and a distributory agent for another.

Three of the Legion’s six active wholly owned subsidiaries are trading entities.

The three charitable subsidiaries are Royal British Legion Pappy Lottery Limited, the National Memorial Arboretum Company Limited and the Earl Haig Fund (Scotland) (trading as Poppyscotland). Further details on the activities and performance of subsidiaries are given in Note 11 to the accounts.

The Legion is the custodian Trustee for the Samsung Royal British Legion Korean Veterans Association Scholarship Fund (charity number 1051545) with net assets of £135k at 30 September 2014. The assets of the charity are predominantly held as investments.

The object of the charity was to advance the education of the public by way of scholarships to members of HM Forces, their spouses and dependants, with preference given to dependants of HM Forces Korean Veterans. This falls within the Legion’s object to further the education of beneficiaries and their spouses, children and dependants. The assets are held separately from those of the Legion in CDIF Charities Fixed Interest Funds and M&G Investment Funds.

A resolution to close the trust was passed on 7 October 2014 and the trust ceased operations from that date. Matters are in hand to close the trust. Any funds remaining will be passed to the Legion and ring-fenced for educational purposes. In addition there are four active companies which for historic reasons share our pappy logo:

• Royal British Legion Industries Limited (RBI) which provides employment, training and support for people, including those with disabilities, plus care and support for ex-Service men, women and families;
• Royal British Legion Pappy Factory Limited in Richmond (the Pappy Factory), which creates paid meaningful employment opportunities for wounded, injured and sick ex-Service men and women;
• The Royal British Legion Attendants Company Trust which promotes the rehabilitation and resettlement of men and women of Her Majesty’s Armed Forces who are in need of assistance in civilian life; and
• Royal British Legion Scotland which helps ex-Service men and women of all ages across Scotland to adapt to civilian life.

These four companies are separate charitable trusts with no common shareholding and no other form of control by the Legion.

The results of these companies are therefore not included in the consolidated accounts of the Legion.

ROLE OF THE MEMBERSHIP AND VOLUNTEERS

The Legion is a membership organisation overseen by a Board of Trustees through the Membership Council. Around 260,000 members are organised through a branch structure of which there are approximately 2,400 branches operating across England, Wales, Northern Ireland, and the Isle of Man, with a further 90 branches overseas.

At their last review in December 2014, the Trustees were satisfied that there are suitable procedures in place to mitigate these risks.

The annual Internal Audit plan is drawn up by reference to the Risk Register, and audits undertaken focus on the mitigating controls that address the key risks. The Audit Committee receives copies of all Internal Audit reports in which opinions are expressed on the effectiveness of the mitigating controls that have been reviewed.

The Trustees’ Report (pages 6-39) for and on behalf of the Trustees.

John Crisford, Chairman
24 April 2015
Board of Trustees
We have audited the financial statements of The Royal British Legion for the year ended 30 September 2014 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 30. 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 charity’s Trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity’s 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 charity and the charity’s Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the Trustees’ Responsibilities Statement, the Trustees are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group’s and the parent charity’s circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustees;
- and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify any material inconsistencies or apparent material misstatements or inconsistencies, and we consider the implications for our report.

We have audited the financial statements of The Royal British Legion for the year ended 30 September 2014 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 30. 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).

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We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group’s and the parent charity’s circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustees;
- and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify any material inconsistencies or apparent material misstatements or inconsistencies, and we consider the implications for our report.

In our opinion, the financial statements:

- Give a true and fair view of the state of the group’s and the parent charity’s affairs as at 30 September 2014, and of the group’s incoming resources, 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 Charities Act 2011.

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- The information given in the Trustees’ Annual Report is inconsistent in any material respect with the financial statements; or
- Sufficient accounting records have not been kept by the parent charity; or
- The parent charity financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1st May 2015

Deloitte LLP is eligible to act as an auditor in terms of section 1272 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 SEPTEMBER 2014

<table>
<thead>
<tr>
<th>NOTE</th>
<th>Unrestricted funds £'000</th>
<th>Restricted funds £'000</th>
<th>Total £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incoming resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incoming resources from generated funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary income</td>
<td>2</td>
<td>76,183</td>
<td>6,128</td>
<td>82,311</td>
</tr>
<tr>
<td>Activities for generating funds</td>
<td>2a</td>
<td>17,846</td>
<td>1,691</td>
<td>19,537</td>
</tr>
<tr>
<td>Investment income</td>
<td>2b</td>
<td>1,658</td>
<td>606</td>
<td>4,714</td>
</tr>
<tr>
<td>Total incoming resources from generated funds</td>
<td>95,687</td>
<td>10,877</td>
<td>106,564</td>
<td>97,510</td>
</tr>
<tr>
<td>Incoming resources from charitable activities</td>
<td>3</td>
<td>18,647</td>
<td>6,973</td>
<td>25,620</td>
</tr>
<tr>
<td>Other incoming resources</td>
<td>4</td>
<td>614</td>
<td>672</td>
<td>1,286</td>
</tr>
<tr>
<td>Total incoming resources</td>
<td>114,948</td>
<td>18,524</td>
<td>133,472</td>
<td>124,558</td>
</tr>
<tr>
<td>Resources expended</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of generating voluntary income</td>
<td>5</td>
<td>14,753</td>
<td>718</td>
<td>15,471</td>
</tr>
<tr>
<td>Activities to generate funds</td>
<td>5</td>
<td>10,808</td>
<td>2,156</td>
<td>12,964</td>
</tr>
<tr>
<td>Investment management costs</td>
<td>5</td>
<td>324</td>
<td>15</td>
<td>339</td>
</tr>
<tr>
<td>Total cost of generating funds</td>
<td>25,885</td>
<td>2,889</td>
<td>28,774</td>
<td>25,114</td>
</tr>
<tr>
<td>Total charitable activities</td>
<td>6</td>
<td>73,888</td>
<td>11,186</td>
<td>85,074</td>
</tr>
<tr>
<td>Governance costs</td>
<td>8</td>
<td>1,117</td>
<td>193</td>
<td>1,309</td>
</tr>
<tr>
<td>Total resources expended</td>
<td>100,890</td>
<td>14,267</td>
<td>115,157</td>
<td>122,483</td>
</tr>
<tr>
<td>Net incoming resources before transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer between funds</td>
<td>26</td>
<td>14,058</td>
<td>4,257</td>
<td>18,315</td>
</tr>
<tr>
<td>Net incoming resources before other recognised gains and losses</td>
<td>7,744</td>
<td>10,571</td>
<td>18,315</td>
<td>2,075</td>
</tr>
<tr>
<td>Other recognised gains (losses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains on investment portfolio</td>
<td>15a</td>
<td>2,078</td>
<td>818</td>
<td>2,896</td>
</tr>
<tr>
<td>Revaluation of investment properties</td>
<td>15b</td>
<td>-</td>
<td>(14,182)</td>
<td>(14,182)</td>
</tr>
<tr>
<td>Realised gains on sale of investment property</td>
<td>15c</td>
<td>-</td>
<td>1,913</td>
<td>1,913</td>
</tr>
<tr>
<td>Actuarial (gains)/losses on defined benefit pension schemes</td>
<td>13a</td>
<td>(5,607)</td>
<td>325</td>
<td>(5,282)</td>
</tr>
<tr>
<td>Net movement in funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balances brought forward at 1 October</td>
<td>124,125</td>
<td>78,279</td>
<td>302,664</td>
<td>289,234</td>
</tr>
<tr>
<td>Fund balances carried forward at 30 September</td>
<td>128,340</td>
<td>175,534</td>
<td>303,874</td>
<td>300,864</td>
</tr>
</tbody>
</table>

The notes on pages 65 to 63 form part of the financial statements. All amounts relate to continuing operations. All gains and losses recognised in the year are included in the Statement of Financial Activities.
### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2014

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Net cash inflow/(outflow) from operating activities</td>
<td></td>
</tr>
<tr>
<td>Net incoming resources before other recognised gains and losses</td>
<td>18,315</td>
</tr>
<tr>
<td>Investment income</td>
<td>(4,714)</td>
</tr>
<tr>
<td>Depreciation of tangible fixed assets</td>
<td>2,585</td>
</tr>
<tr>
<td>Impairment of tangible fixed assets</td>
<td>33</td>
</tr>
<tr>
<td>Notional defined benefit pension income</td>
<td>(964)</td>
</tr>
<tr>
<td>Gain on sale of tangible fixed assets</td>
<td>(153)</td>
</tr>
<tr>
<td>Increase in stock</td>
<td>(143)</td>
</tr>
<tr>
<td>Increase in programme related investments</td>
<td>826</td>
</tr>
<tr>
<td>(Increase)/decrease in debtors</td>
<td>(8,584)</td>
</tr>
<tr>
<td>Increase/(decrease) in creditors</td>
<td>405</td>
</tr>
<tr>
<td>(Decrease) in provisions</td>
<td>(271)</td>
</tr>
<tr>
<td></td>
<td>10,107</td>
</tr>
</tbody>
</table>

**Returns on investment and servicing of finance**

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Investment income received</td>
<td>3,638</td>
</tr>
<tr>
<td>Transfer from investments to cash</td>
<td>10,303</td>
</tr>
<tr>
<td>Interest received</td>
<td>609</td>
</tr>
<tr>
<td>Income from branch investments and deposits</td>
<td>469</td>
</tr>
<tr>
<td></td>
<td>13,019</td>
</tr>
</tbody>
</table>

**Capital expenditure and investing activities**

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Purchase of tangible fixed assets</td>
<td>(6,579)</td>
</tr>
<tr>
<td>Sale of tangible fixed assets</td>
<td>153</td>
</tr>
<tr>
<td>Purchase of fixed asset investments</td>
<td>(1,034)</td>
</tr>
<tr>
<td>Sale of fixed asset investments</td>
<td>6,119</td>
</tr>
<tr>
<td></td>
<td>(1,345)</td>
</tr>
</tbody>
</table>

**Net cash inflow (a)**

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>10,107</td>
<td>(2,246)</td>
</tr>
</tbody>
</table>

**In cash and in cash and short-term deposits**

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Cash and short-term deposits at 1 October</td>
<td>51,308</td>
</tr>
<tr>
<td>Increase in cash and short-term deposits</td>
<td>23,784</td>
</tr>
<tr>
<td>Cash and short-term deposits at 30 September</td>
<td>75,092</td>
</tr>
</tbody>
</table>

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

#### Principal accounting policies

**Accounting convention**

The financial statements are prepared on a going concern basis under the historical cost convention as modified by the recognition of listed investments and certain properties. They have been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities as issued by the Charity Commission and in accordance with the Financial Reporting Council’s Financial Reporting Standard No. 19 – Accounting and Reporting by Charities and with the provisions of The Companies Act 2006 (The “Companies Act”) and the Companies (Consolidated) Regulations 2009 as amended by the Companies (Audit, Inspection, Disclosure and Disclosure) Regulations 2014 and in accordance with the Companies (Amendment) (No.2) Regulations 2014. The financial statements are prepared in accordance with United Kingdom accounting standards and the Charity Act 2011. The financial statements are prepared on an accruals basis except that the results from branches have been extracted from returns submitted in receipts and payments basis. The branch financial year runs from 1 July to 30 June. The branch results included in these accounts are for the year to 30 June 2014. Results for the six month period from 1 October 2013 to 30 June 2013 are included in the prior year comparative figures (2013). The principal accounting policies are set out below and have been applied consistently with the prior year.

#### Group financial statements

These financial statements comprise the central General and Benevolent funds owned in the Board of Trustees in accordance with The Royal British Legion’s (“The Legion”) Royal Charter. As agreed with the Charity Commission and in accordance with SORP 2005, they include the results, assets and liabilities of the Legion’s counties, districts, branches and Women’s Section. The legion’s policy is to consolidate results of all branches, counties and districts based upon receipt of individual returns. Where returns are not received, assets are included at the previously reported value adjusted for known transactions. The subsidiaries and organisations listed in note 11 have been consolidated on a line by line basis. Four organisations which carry the legion’s name but are not controlled by the Legion have not been included in these financial statements, namely, Royal British Legion Industries, The Royal British Legion Poppy Factory Limited, The Royal British Legion Attendances Company Trust and Royal British Legion Scotland. The accounts do not include results of affiliated social clubs, which are separately registered organisations licensed to use the Legion’s name.

The main government grant for the year is from the UK Government to support the Legion’s charitable activities. The grant is subject to the conditions set out in the Royal Charter. Income is recognised when the layout for that income is established.

The Legion has taken advantage of the provisions of paragraph 397 of SORP 2005 not to provide a separate Statement of Financial Activities for the charity. The results of the charity for the year, total incoming resources £103,648k (2013: £101,103k), with resources £120,618k (2013: £103,731k), total expenses £110,051k (2013: £107,513k), include dividends declared but not yet received. Investment income includes rental income earned by branches.

#### Fund accounting

Unrestricted funds include designated funds and are expendable at the discretion of the Trustees in furtherance of the objects of the charity. Restricted funds represent grants, donations, legacies and property which are given by the donor for specific purposes and which must be used for the specified purpose. In accordance with SORP 2005, restricted funds may be held within the Benevolent fund unless otherwise stated. Restricted funds include permanent endowment funds which are not material and are not therefore shown separately on the face of the balance sheet. The National Memorial Arboretum and its subsidiary, NMA Enterprises Limited (the NMA Group), and The Earl Haig Fund Scotland and its subsidiary the Lady Haig Poppy Factory (Poppyscotland Group) funds are held within restricted funds since their objects are narrower than those of The Royal British Legion group.

#### Income recognition

Income is recognised in the period in which the Legion is entitled to receipt of that income and when the amount can be measured with reasonable accuracy. In accordance with this policy, legacies are included as follows: 

- *Proceeding legacies* are recognised when the legacy has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the legacy will be received. Residual legacies are recognised on receipt of Estate Accounts. Legacies subject to a life interest held by another party are not recognised.

- Grants are included when the conditions for recognition have been complied with.

- Donations are accounted for in the period of receipt. Poppyscotland donations are accounted for when banked.

Fundraising lottery income is recognised when the lottery draw has taken place. Income received in advance for future lottery draws is deferred until the lottery draw takes place.

Fees from residential care homes are recognised on an accruals basis.

Affiliation fees are recognised on an accruals basis.

Income from the centrally held investment portfolio is accounted for on an accruals basis and includes dividends declared but not yet received. Investment income includes rental income earned by branches.

Income received through branches from fundraising and other activities is recognised for branches on the basis of branch returns for the year to 30 June 2014.

The economic value of time given by volunteers is not included in these financial statements.
**Charitable activities** include expenditure directly related to the delivery of the services (including staff costs) provided by the charity to eligible beneficiaries and comprise the cost of residential care, welfare break centres, community, welfare services and Remembrance and comradeship. It also includes the cost of supporting various activities, including the Legions' extensive membership and the costs of campaigning on behalf of beneficiaries. The cost of marketing, supporting and managing charitable programmes is also included and further analysed in the notes to the accounts.

| CARTON - costs of campaigns are allocated between cost of generating funds and Charitable activities on the basis of the percentages of space within the literature relating to either fundraising or raising awareness. |  |

**Governance costs** represent the costs of governance functions which relate to the general running of the charity as opposed to the direct management functions inherent in generating funds, service delivery and programme or project work.

**Support costs** include the central functions such as the cost of management, financial administration, information technology, human resources, and the provision of office facilities at Head Office.

**Grant payments** are recognised in the Statement of Financial Activities when awarded and the recipient has a valid expectation of receipt, thus creating a constructive or legal obligation. Future contributions to Fund Pensional Recovery Centres are included in the balance sheet at their net present value using a discount rate equivalent to the yield on Treasury Gilts over the same period.

**Allocation of costs**

Where possible, the Legion's operating costs are allocated directly to the various categories of charitable expenditure, cost of generating funds, or governance costs. Where costs are not directly attributable to any category, they have been apportioned on an appropriate basis to reflect, in each case, an estimate of the efforts and resources devoted to each category of activity – see note 10. Activities which are predominantly outsourced bear no allocation of support costs.

**Poppy Appeal**

Poppy Appeal expenditure is accounted for in the financial year in which it occurred. The cost of poppies is charged to the cost of generating funds and the cost of Remembrance wreaths is charged to Remembrance and commercial activities.

**Stocks, poppies and wreaths**

The majority of stocks relate to Poppies Shop products. The remainder relates to poppies and wreaths produced at the Lady Hoey Poppies Factory which are manufactured for external resale. Stocks are valued at the lower of cost and net realisable value and include direct costs of labour and materials plus allocation of general overheads. Poppy and wreaths produced for distribution during the Poppy Appeal are expensed immediately.

**Staff pension schemes**

Pensions are accounted for in accordance with FRS17 Retirement Benefits, with a valuation undertaken by an independent actuary for the defined benefit schemes. The Royal British Legion Staff Pension Fund, is defined benefit scheme, is closed to future accrual. The current service costs of the Staff Male Defined Benefit Scheme are charged to employee costs over the anticipated period of employment. Net pension finance income or costs are included immediately in other incoming resources or employee costs as appropriate. Actuarial gains and losses are recognised immediately on the face of the Statement of Financial Activities. The Legions' share of the scheme deficits is included as a liability in the balance sheet. Details of the scheme structure are included in the notes to the accounts. The amounts charged to the Statement of Financial Activities for defined contribution schemes represent the contributions payable in the next financial year.

**Investments and bank deposits**

Fixed asset investments are stated at market value. Gains and losses arising from either the change in market value or on sale are included in income from investments. Income from lend investments is accounted for when due as expense. Interest on deposits is accrued on a daily basis. Proceeds not used for charitable purposes are classified as investment properties and are included in investments at market value. These properties are held either in corporate or local membership. Local membership properties are those held by named individuals (locally Branch Committee Members) for the benefit of a Legion branch and their value is included in the accounts when the Trust deed names the Legion as the ultimate beneficiary. Investment properties are reviewed every five years by a qualified surveyor and in the intervening years, values are adjusted to reflect the broad nature of the Legion's investment portfolio. Investments in subsidiaries are included at cost.

**Programme-related investments** are held at the amount invested less any impairment. These are accounted in an equalised basis and any impairment is immediately recognised in the Statement of Financial Activities.

- **Cash held by branches** is included as cash where there is third party validation of the amount.

**Tangible fixed assets**

Purchases of individual items of tangible fixed assets costing over £50,000, or purchases related to projects deemed as capital (such as the Area Offices Project) are capitalised.

Functional properties (freehold and leasehold) used by the charity are included at cost, known or, valuation at date of acquisition. Branch properties assigned or gifted before 1 October 1995 where the original cost cannot be established are included or at a nominal value of £1 each. Depreciation on functional properties is provided on the cost of buildings on a straight line basis over 50 years or the term of the lease if less. Depreciation of improvements are depreciated over the term of the lease. The head office building, Haig House, is depreciated over its expected useful life of 33 years.

Plant, machinery and equipment where capitalised are included at cost. Depreciation is provided over 5 years from the month of first use.

Fixed assets which are under construction are classified as Assets Under Construction and are transferred into the appropriate categories, when depreciation then commences.

The useful lives of fixed assets are reviewed at the end of the financial year. Where the useful life has been extended or where there has been on impairment impairments are charged to the Statement of Financial Activities.

**Legal costs**

Rentals payable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

**Taxation**

The activities of the Legion and its charitable subsidiaries are exempt from corporation tax under Chapter 3 of Part 11 to the Corporation Tax Act 2010 in the extent that they are applied to the organisation’s charitable objects. The trading subsisidies do not generally pay UK corporation tax because their policy is to pay tax refunds on gifts in aid to the Legion.

Legacies, bequests and donations.

**Remembrance**

During the financial year 2014, the Legion has paid £2,988k to treasurers (2013: £2,363k) for the expenses incurred by treasurers in the recovery of membership dues from their local branches and legions.

**Ex-Service charities and other organisations (almonisation)**

The Officers’ Association for the Poppy Appeal was £1,757k paid as a grant (2013: £1,670k). This includes cash collected of £38,858k (2013: £35,854k), legacies of £775k (£35,226k) and other donations of £1,318k (2013: £1,405k). The Poppy Appeal in Scotland raised £2,888k (2013: £2,653k). In 1992 the Officers’ Association transferred the Poppy Appeal to the Legion in return for a payment of £512k of the net amount received from street collections. The amount due to the Officers’ Association for the Poppy Appeal was £725k paid as a grant. At 30 September 2014, the Legion had been advised of its interest in remanence and present legacies with a validated value of £56,603k (2013: £53,576k) and they were included in the accounts. Not included in the accounts are interests in 15 life-interest legacies (£524k) with a value of £272k (2013: £314k) where the conditions for acceptance have not been met. The Legion has also been notified of remanence legacies estimated at a potential value of £5,663k. These remanence legacies are not recognised in these accounts as confirmation of entitlement has not been received and the value cannot be confirmed at the balance sheet date.
### FINANCIALS

#### 4. Other incoming resources

<table>
<thead>
<tr>
<th>Description</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licence fees and royalties</td>
<td>182</td>
<td>208</td>
</tr>
<tr>
<td>Advertising in the Legion magazine</td>
<td>391</td>
<td>744</td>
</tr>
<tr>
<td>Gains on sale of functional property</td>
<td>153</td>
<td>79</td>
</tr>
<tr>
<td>Finance income on pension schemes</td>
<td>319</td>
<td>180</td>
</tr>
<tr>
<td>Other income</td>
<td>41</td>
<td>137</td>
</tr>
<tr>
<td><strong>Total other incoming resources</strong></td>
<td>1,286</td>
<td>1,348</td>
</tr>
</tbody>
</table>

#### 5. Cost of generating funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Direct £'000</th>
<th>Support £'000</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations costs</td>
<td>3,843</td>
<td>426</td>
<td>4,269</td>
<td>4,269</td>
</tr>
<tr>
<td>Legacy costs</td>
<td>601</td>
<td>-</td>
<td>601</td>
<td>469</td>
</tr>
<tr>
<td>Poppy Appeal costs</td>
<td>9,712</td>
<td>889</td>
<td>10,601</td>
<td>9,557</td>
</tr>
<tr>
<td><strong>Cost generating voluntary income</strong></td>
<td>16,156</td>
<td>1,315</td>
<td>17,471</td>
<td>13,906</td>
</tr>
<tr>
<td>Fundraising events costs</td>
<td>2,255</td>
<td>92</td>
<td>2,347</td>
<td>1,632</td>
</tr>
<tr>
<td>Fundraising lotteries costs</td>
<td>5,723</td>
<td>83</td>
<td>5,806</td>
<td>5,623</td>
</tr>
<tr>
<td>Commercial activities (selling)</td>
<td>4,811</td>
<td>-</td>
<td>4,811</td>
<td>3,716</td>
</tr>
<tr>
<td><strong>Total cost of activities to generate funds</strong></td>
<td>12,789</td>
<td>173</td>
<td>12,964</td>
<td>10,971</td>
</tr>
</tbody>
</table>

#### 6. Analysis of charitable activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Direct £'000</th>
<th>Support £'000</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential care homes</td>
<td>15,085</td>
<td>1,995</td>
<td>17,080</td>
<td>16,755</td>
</tr>
<tr>
<td>Welfare break centres</td>
<td>4,046</td>
<td>448</td>
<td>4,494</td>
<td>4,724</td>
</tr>
<tr>
<td><strong>Total care services</strong></td>
<td>19,131</td>
<td>2,443</td>
<td>21,574</td>
<td>21,479</td>
</tr>
<tr>
<td>Personnel Recovery Centres</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
<td>2,058</td>
</tr>
<tr>
<td>Welfare grants to individuals</td>
<td>11,061</td>
<td>-</td>
<td>11,061</td>
<td>14,190</td>
</tr>
<tr>
<td>Grants to other organisations</td>
<td>3,201</td>
<td>-</td>
<td>3,201</td>
<td>3,765</td>
</tr>
<tr>
<td>Information, advice and support</td>
<td>14,041</td>
<td>3,523</td>
<td>17,564</td>
<td>24,979</td>
</tr>
<tr>
<td>Welfare cost in branches, counties and districts</td>
<td>5,831</td>
<td>-</td>
<td>5,831</td>
<td>6,184</td>
</tr>
<tr>
<td><strong>Total community welfare services</strong></td>
<td>34,134</td>
<td>3,525</td>
<td>37,659</td>
<td>49,118</td>
</tr>
<tr>
<td>Central membership support</td>
<td>2,204</td>
<td>568</td>
<td>2,772</td>
<td>3,028</td>
</tr>
<tr>
<td>Recruitment, development, training</td>
<td>164</td>
<td>298</td>
<td>462</td>
<td>429</td>
</tr>
<tr>
<td>Support to branches with clubs</td>
<td>264</td>
<td>115</td>
<td>379</td>
<td>558</td>
</tr>
<tr>
<td>The Legion magazine</td>
<td>953</td>
<td>6</td>
<td>959</td>
<td>1,118</td>
</tr>
<tr>
<td>Membership costs in branches, counties and districts</td>
<td>2,960</td>
<td>386</td>
<td>3,346</td>
<td>3,066</td>
</tr>
<tr>
<td><strong>Total membership services</strong></td>
<td>6,545</td>
<td>1,373</td>
<td>7,918</td>
<td>8,199</td>
</tr>
<tr>
<td><strong>Comradeship</strong></td>
<td>717</td>
<td>152</td>
<td>869</td>
<td>911</td>
</tr>
<tr>
<td>Direct cost of communication and campaigning</td>
<td>5,011</td>
<td>339</td>
<td>5,350</td>
<td>5,058</td>
</tr>
<tr>
<td>Allocated cost of communication and campaigning</td>
<td>4,072</td>
<td>-</td>
<td>4,072</td>
<td>3,616</td>
</tr>
<tr>
<td><strong>Total communication and campaigning</strong></td>
<td>9,083</td>
<td>339</td>
<td>9,422</td>
<td>8,674</td>
</tr>
<tr>
<td>Festival of Remembrance</td>
<td>749</td>
<td>14</td>
<td>763</td>
<td>568</td>
</tr>
<tr>
<td>Ceremonial and commemorative events</td>
<td>1,214</td>
<td>195</td>
<td>1,409</td>
<td>1,924</td>
</tr>
<tr>
<td>Remembrance tours</td>
<td>47</td>
<td>-</td>
<td>47</td>
<td>122</td>
</tr>
<tr>
<td>National Memorial Arboretum operating costs</td>
<td>1,535</td>
<td>578</td>
<td>2,113</td>
<td>1,871</td>
</tr>
<tr>
<td>Assets under construction reimbursement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total remembrance and commemorial</strong></td>
<td>4,045</td>
<td>787</td>
<td>4,832</td>
<td>5,530</td>
</tr>
<tr>
<td><strong>Total charitable activities</strong></td>
<td>76,455</td>
<td>8,619</td>
<td>85,074</td>
<td>95,969</td>
</tr>
</tbody>
</table>

As stated in note 5 charitable activities contain an allocation of £6,056 (2013: £6,166) relating to costs associated with the space within the campaign literature relating to raising awareness. Some of the costs associated with the new visitor centre at the NMA, which had been capitalised as an asset under construction, were expensed in 2013 resulting in a one-off charge of £1,045.
## FINANCIALS

### 7. Grants awarded to other organisations

<table>
<thead>
<tr>
<th>Grants issued by the charity:</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Officers' Association</td>
<td>2</td>
<td>1,757</td>
</tr>
<tr>
<td>Imperial College of Science, Technology and Medicine</td>
<td>373</td>
<td>1,552</td>
</tr>
<tr>
<td>Stoll (formerly Sir Oswald Stoll Foundation)</td>
<td>-</td>
<td>148</td>
</tr>
<tr>
<td>The Royal British Legion Poppie Factory</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Grants to other charities withdrawn in the year</td>
<td>-</td>
<td>(1028)</td>
</tr>
<tr>
<td>Grants to 25 other charities and voluntary organisations (2013: 13) under £100k</td>
<td>671</td>
<td>271</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Grants made by Poppyscotland:</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citizens Advice Scotland</td>
<td>382</td>
<td>247</td>
</tr>
<tr>
<td>Grants to 13 other charities and voluntary organisations (2013: 13) under £100k</td>
<td>218</td>
<td>297</td>
</tr>
</tbody>
</table>

**Total grants to other organisations**

<table>
<thead>
<tr>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,201</td>
<td>3,765</td>
</tr>
</tbody>
</table>

Grants awarded may relate to commitments for multiple future years. For more information on grant commitments see note 19.

### 8. Governance costs

<table>
<thead>
<tr>
<th>Support to Trustees and volunteers</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory reporting and strategy</td>
<td>314</td>
<td>360</td>
</tr>
<tr>
<td>Internal and external audit and tax services</td>
<td>632</td>
<td>771</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,309</td>
<td>1,400</td>
</tr>
</tbody>
</table>

### 9. Net incoming/(outgoing) resources for the year is stated after charging

<table>
<thead>
<tr>
<th>Fees payable to the charity’s auditor for the audit of the charity’s annual accounts</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees payable to the charity’s auditor for other services: Audit of subsidiaries</td>
<td>46</td>
<td>32</td>
</tr>
<tr>
<td>Other services</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Other taxation and consultancy services</td>
<td>21</td>
<td>16</td>
</tr>
<tr>
<td>Branch, county and district audit and examination fees</td>
<td>61</td>
<td>115</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,585</td>
<td>3,528</td>
</tr>
<tr>
<td>Operating lease rentals: Vehicles and equipment</td>
<td>576</td>
<td>329</td>
</tr>
<tr>
<td>Land and buildings</td>
<td>1,680</td>
<td>1,861</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fees payable to the charity’s auditor for the audit of the charity’s annual accounts</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
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<td>115</td>
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<td>3,528</td>
</tr>
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<td>329</td>
</tr>
<tr>
<td>Land and buildings</td>
<td>1,680</td>
<td>1,861</td>
</tr>
</tbody>
</table>

### 10. Support costs

<table>
<thead>
<tr>
<th>Cost of generating funds</th>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost services</td>
<td>151</td>
<td>95</td>
</tr>
<tr>
<td>Personnel Recovery Centres</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Community welfare services</td>
<td>192</td>
<td>349</td>
</tr>
<tr>
<td>Membership services</td>
<td>266</td>
<td>369</td>
</tr>
<tr>
<td>Comradeship</td>
<td>44</td>
<td>8</td>
</tr>
<tr>
<td>Communication and campaigning</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>Charitable activities</td>
<td>1,377</td>
<td>1,243</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,511</td>
<td>1,423</td>
</tr>
</tbody>
</table>

**Governance costs**

<table>
<thead>
<tr>
<th>Total 2014 £'000</th>
<th>Total 2013 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
</tr>
</tbody>
</table>

Support costs are allocated on the basis of FTE staff.
The results of the subsidiary entities are shown in the table below. All subsidiaries are registered in the UK and have 30 September year ends.

The Legion has ten wholly owned subsidiaries, eight of which are consolidated into these accounts as described below, and two which are dormant.

- a dormant subsidiary.

**Poppies and wreaths and to provide framing and printing services.** The results above are those of the consolidated Poppyscotland Group.

**The charitable company has one subsidiary, The Lady Haig Poppy Factory Limited, whose principal activity is the employment of disabled ex-Service personnel to manufacture...**

**The Earl Haig Fund Scotland (Poppyscotland)**

- a charitable company which undertakes the marketing and provision of a weekly lottery to members and supporters of the Legion. Its expenditure includes profits paid to the Legion of £33k (2013: £49k).

**Royal British Legion Poppy Lottery Limited**

- a trading company which develops or improves properties, principally those owned by the Legion. Its expenditure includes profits paid to the Legion of £2,173k (2013; £1,372k).

**Royal British Legion Developments Limited**

- 3,731
- 1,994
- **Net incoming resources**
- **Assets**
- **Liabilities**
- **Net assets**

The principal activities of the subsidiaries are as follows:

- **Remembrance Travel Limited** – a travel company delivering pilgrimages and associated travel activity. Its expenditure includes profits paid to the Legion of £239k (2013: £236k).
- **The National Memorial Arboretum Company Limited** – a charitable company operating an arboretum with memorial plots dedicated to those who suffered or lost their lives in the service of their country. The charitable company has one subsidiary, NMA (Enterprises) Ltd, a trading company providing services to visitors to the National Memorial Arboretum. The results above are those of the consolidated NMA Group.
- **Royal British Legion Trading Limited** – a trading company which markets a range of goods and services to members and supporters of the Legion, and generates income from third parties through the use of corporate partnerships. Its expenditure includes profits paid to the Legion of £2.1m (2013: £1.7m).
- **Royal British Legion Developments Limited** – a trading company which develops or improves properties, principally those owned by the Legion. Its expenditure includes profits paid to the Legion of £339k (2013: £486k).
- **Royal British Legion Poppy Lottery Limited** – a charitable company which undertakes the marketing and provision of a weekly lottery to members and supporters of the Legion. Its expenditure includes grants paid to the Legion of £147k (2013: £846k). Other lottery activities are carried out by the parent charity.
- **The Earl Haig Fund Scotland (Poppyscotland)**
- **The Lady Haig Poppy Factory Limited**, whose principal activity is the employment of disabled ex-Service personnel to manufacture papers and wreaths and to provide framing and printing services. The results above are those of the consolidated Poppyscotland Group.

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- **Remembrance Travel Limited** – a travel company delivering pilgrimages and associated travel activity. Its expenditure includes profits paid to the Legion of £239k (2013: £236k).
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- **The Lady Haig Poppy Factory Limited**, whose principal activity is the employment of disabled ex-Service personnel to manufacture papers and wreaths and to provide framing and printing services. The results above are those of the consolidated Poppyscotland Group.
13 Staff pension funds
The Royal British Legion's group pension arrangements comprise those of the Legion and subsidiaries. Pension schemes are as follows:

1. Group Flexible Retirement Plan (GFRP)
2. The British Legion Staff Pension Fund (DL Fund)

GFRP: This is the scheme available to all Legion employees (including the National Memorial Arboretum but excluding Poppyscotland) and is provided by Standard Life. The GFRP scheme was introduced on 1 April 2010 and is a defined contribution scheme. The liability of the employer is limited to the contributions it makes which amounted to £2,333k (2013: £2,168k) of which £2,000k (2013: £1,774k) remained payable at the year end.

EH Fund: This is a multi-employer defined benefit scheme. The other employers participating in the scheme are Royal British Legion Industries and the Royal British Legion Poppy Factory. The EH Fund was closed to new members on 31 October 2002 and on 1 April 2010 was closed to accrual from the remaining members. The most recent formal actuarial valuation was carried out as at 1 April 2014. The preliminary results of this valuation have been updated to 30 September 2014 by a qualified actuary. In accordance with the current Schedule of Contributions, the Legion is required to pay no deficit contributions to this Fund from 1 April 2014.

EH Fund: This is a defined benefit pension scheme available only to employees of Poppyscotland. The last actuarial valuation of the EH Fund was carried out as at 31 March 2013 by a qualified actuary. A Schedule of Contributions was signed as a result of the 2013 triennial valuation and as a result the employer has agreed to pay annual contributions of £27k per year increasing by 3% annually with the expectation that the funding shortfall will be eliminated within five years.

The Legion accounts for defined benefit schemes in accordance with FRS17 Retirement Benefits and identifies each entity's share of the pension scheme assets and liabilities.

A summary of the movement in pension assets and liabilities for the group's defined benefit pension funds is shown below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>(101)</td>
<td>107</td>
<td>(107)</td>
<td>(101)</td>
<td>(107)</td>
<td>(107)</td>
</tr>
<tr>
<td>Interest on liabilities</td>
<td>(246)</td>
<td>(213)</td>
<td>(78)</td>
<td>(228)</td>
<td>(187)</td>
<td>(415)</td>
</tr>
<tr>
<td>Total (decrease) in net incoming resources</td>
<td>(347)</td>
<td>(320)</td>
<td>(667)</td>
<td>(433)</td>
<td>(394)</td>
<td>(827)</td>
</tr>
<tr>
<td>Total (decrease) in net incoming resources before other recognised gains and losses</td>
<td>399</td>
<td>220</td>
<td>619</td>
<td>442</td>
<td>220</td>
<td>662</td>
</tr>
<tr>
<td>Total (decrease) in net funds</td>
<td>448</td>
<td>365</td>
<td>813</td>
<td>513</td>
<td>220</td>
<td>733</td>
</tr>
</tbody>
</table>

13a Amounts recognised in the Statement of Financial Activities

Analysis of amounts charged to net incoming/(outgoing) resources:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
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<td>365</td>
<td>813</td>
<td>513</td>
<td>220</td>
<td>733</td>
</tr>
</tbody>
</table>

13b Reconciliation of the Balance Sheet

Description

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market value of assets</td>
<td>4,198</td>
<td>63,198</td>
<td>67,396</td>
<td>4,119</td>
<td>60,463</td>
<td>64,582</td>
</tr>
<tr>
<td>Present value of liabilities</td>
<td>(5,986)</td>
<td>(61,649)</td>
<td>(67,635)</td>
<td>(5,331)</td>
<td>(64,088)</td>
<td>(69,419)</td>
</tr>
<tr>
<td>Pension liability recognised in the Balance Sheet</td>
<td>1,788</td>
<td>5,560</td>
<td>7,348</td>
<td>1,788</td>
<td>5,560</td>
<td>7,348</td>
</tr>
</tbody>
</table>

13c History of assets, liabilities, experience gains and losses

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
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<td>5,331</td>
<td>64,088</td>
<td>69,419</td>
</tr>
</tbody>
</table>

13d Analysis of changes in the value of the fund assets over the year

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashflows</td>
<td>-2,610</td>
<td>(2,758)</td>
<td>(2,610)</td>
<td>-2,610</td>
<td>(2,758)</td>
<td>(2,610)</td>
</tr>
<tr>
<td>Net fund surplus</td>
<td>4,766</td>
<td>2,341</td>
<td>7,107</td>
<td>4,766</td>
<td>2,341</td>
<td>7,107</td>
</tr>
</tbody>
</table>

13e Analysis of changes in the value of the fund liabilities over the year

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
<th>2014</th>
<th>2013</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashflows</td>
<td>-2,610</td>
<td>(2,758)</td>
<td>(2,610)</td>
<td>-2,610</td>
<td>(2,758)</td>
<td>(2,610)</td>
</tr>
<tr>
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<td>2,341</td>
<td>7,107</td>
<td>4,766</td>
<td>2,341</td>
<td>7,107</td>
</tr>
</tbody>
</table>

* Changes of basis relate to changes in the actuarial assumptions used as detailed on page 56 (note 13g).

The cumulative amount of actuarial gains and losses recognised since 2002 on the DB Fund is a cumulative loss of £6,753k (2013: £6,416k) and since 2011 on the EH Fund is a cumulative loss of £7,534k (2013: £7,046k).

The Legion’s assets have been taken as the proportion of the total fund’s assets that the Legion’s liability valuation bases on the total fund’s liability valuation.

From 1 October 2015, the Legion is not required to pay any additional deficit funding contributions into the DB Fund (2016 contributions paid off E25k). Additional deficit funding contributions of G27k are expected to be paid into the EH Fund during 2015/16. DBF contributions made in respect of the six months from April to September 2014.
The following mortality assumptions have been used for both funds:

Financial assumptions (both funds)

Discount rate 4.00 4.50
Rental price inflation 3.20 3.10
Consumer price inflation 2.20 2.10
Salary increases 2.20 2.10
Rate of increases of pensions in payment
Capped at 5% or CPI if less 3.10 3.00
Capped at 5% or CPI-2.5% if less 3.10 3.10
Capped at 3% or CPI if less 2.00 1.90
Capped at 2.5% or CPI if less 1.80 1.80
Rate of increase for deferred pensioners 2.20 2.10
Expected return on assets % p.a. 5.10 5.10

For the DB Fund, the overall assumption for the expected return on assets of 5.10% as at 30 September 2014 has been derived by making a weighted average of the expected return for each asset class. A further deduction of 0.50% to the expected return was made to allow for administrative expenses.

For the EH Fund, the overall assumption for the expected return on assets of 5.0% as at 30 September 2014 has been derived by calculating the weighted average of the expected return for each asset class. A further deduction of 0.50% to the expected return was made to allow for administrative expenses.

The actual return on assets over the period was 225 225

14. Tangible fixed assets

<table>
<thead>
<tr>
<th>Asset class</th>
<th>EH Fund 2013</th>
<th>EH Fund 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market Value</td>
<td>Market Value</td>
</tr>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Gilts</td>
<td>9,087</td>
<td>10,278</td>
</tr>
<tr>
<td>Bonds</td>
<td>20,020</td>
<td>19,571</td>
</tr>
<tr>
<td>Cash</td>
<td>412</td>
<td>308</td>
</tr>
<tr>
<td>Other assets</td>
<td>14,457</td>
<td>17,065</td>
</tr>
<tr>
<td>Total</td>
<td>57,204</td>
<td>63,198</td>
</tr>
</tbody>
</table>

The actual return on assets over the year was 4,516 4,637

15. Actuarial assumptions

Financial assumptions (both funds)

Discount rate 4.00 4.50
Rental price inflation 3.20 3.10
Consumer price inflation 2.20 2.10
Salary increases 2.20 2.10
Rate of increases of pensions in payment
Capped at 5% or CPI if less 3.10 3.00
Capped at 5% or CPI-2.5% if less 3.10 3.10
Capped at 3% or CPI if less 2.00 1.90
Capped at 2.5% or CPI if less 1.80 1.80
Rate of increase for deferred pensioners 2.20 2.10
Expected return on assets % p.a. 5.10 5.10

For the DB Fund, the overall assumption for the expected return on assets of 5.10% as at 30 September 2014 has been derived by calculating the weighted average of the expected rate of return for each asset class. A further deduction of 1.34% to the expected return was made to allow for administrative expenses.

For the EH Fund, the overall assumption for the expected return on assets of 5.0% as at 30 September 2014 has been derived by calculating the weighted average of the expected rate of return for each asset class. A further deduction of 0.50% to the expected return was made to allow for administrative expenses.

The following mortality assumptions have been used for both funds:

Life expectancies at age 60

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current pensioner now aged 60</td>
<td>28.9 years</td>
<td>28.9 years</td>
</tr>
<tr>
<td>Future pensioner now aged 60</td>
<td>30.9 years</td>
<td>31.9 years</td>
</tr>
</tbody>
</table>

Nine freehold properties were reclassified as investment properties during the year and transferred into the investment property portfolio at cost (£460k).

Freehold homes include the freehold assets of both the residential care homes and the welfare break centres. Freehold and leasehold properties are stated at cost or valuation at the date of acquisition so far as historical records permit. Where an accurate cost is not available the Trustees have valued each functional property at a nominal cost of £1.

Freehold homes include the freehold assets of both the residential care homes and the welfare break centres. Freehold and leasehold properties are stated at cost or valuation at the date of acquisition so far as historical records permit. Where an accurate cost is not available the Trustees have valued each functional property at a nominal cost of £1.

Note book value at 30 September 2014 46,377 24,605 6,070 1,631 1,392 80,075

Net book value at 30 September 2013 43,847 25,637 2,366 1,211 3,514 76,575

Freehold homes include the freehold assets of both the residential care homes and the welfare break centres. Freehold and leasehold properties are stated at cost or valuation at the date of acquisition so far as historical records permit. Where an accurate cost is not available the Trustees have valued each functional property at a nominal cost of £1.

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Nine freehold properties were reclassified as investment properties during the year and transferred into the investment property portfolio at cost (£460k).
Total of £78.3m of the investments are managed by Cazenove Capital Management Limited. The strategy is to maintain the real value of assets and forecast an investment return in excess of RPI. No one investment was held which represented more than 5% of the total portfolio. Where possible, listed investments were valued at the accepted market closing price.

Within investment properties are some 393 properties which are owned by the Legion but are let to independent commercial operations, primarily affiliated social clubs. As at 30 September 2014, a detailed revaluation of these properties was completed by Bruton Knowles, a firm of qualified surveyors, on the basis of open market value for existing use. A revaluation loss of £14.182m has been recognised in the accounts as a result of this exercise.

During the financial year the Legion disposed of investment properties with a market value of £3,957k (2013: £4,946k). The sales proceeds were £5,870k (2013: £5,190k) and the realised gain on revaluation of £14,182k has been recognised in the accounts as a result of this exercise.
The Legion has provided a number of loans in furtherance of its charitable objectives as follows:

Royal British Legion Industries Loan – a secured loan repayable by 31 December 2015 issued for the sheltered accommodation project for ex-Service personnel. An interest rate of 5.2% below the base rate is applied to the principal.

Sir Oswald Stoll Foundation – a secured loan repayable over 10 years issued towards the development costs of a veterans’ housing centre. An interest rate of 4% is applied to the principal issued on the anniversary of the loan agreement (17 September 2013). The first instalment of the loan was paid to the Foundation in January 2014.

Be the Boss Loans – a scheme (now closed) originally supported by the Ministry of Defence which provides financial support through loans and grants to recent UK service leavers who are interested in setting up or expanding their own business. The loans are repayable within four years and an annual rate of interest of 9.4% is charged.

Property Repairs Loans – interest free secured loans to beneficiaries living in their own home to provide housing improvements. The majority are lifetime loans as they are repayable on the sale of property. The minimum amount for a loan is £2k and the maximum allowed is £25k. The Legion ceased this activity in 2013.

Secured loans issued in support of the development costs of a veterans’ housing centre, a veterans’ day centre and two free care homes for elderly ex-Service personnel.

The Women's Section contributed £1,017k (2013: £1,018k) towards the Legion’s incoming resources. It provides care and support for the ex-Service community by means of a membership organisation for women with around 773 branches and 32,326 members.

The Legion’s accounts (charity) include the financial results for The Royal British Legion Women’s Section. The Women’s Section, which is constituted under The Royal Charter, is a membership organisation for women with 773 branches and 32,326 members.

Operating lease commitments at the year end, the Legion was committed to payments during the next year in respect of operating leases which expire:

- within one year £118
- within two to five years £320
- over five years £938

Total £1,376

Deferred income

Opening balance at 1 October 2013 £981
Release of deferred income (991) (14)
Grants received in connection with lottery entries 742 3
Monies received in advance relating to activity taking place in future periods 342 43
Monies received in advance relating to activity taking place in future periods 47 -
Balance carried forward at 30 September 2014 1,131 46

Provisions for liabilities

Opening balance at 1 October 2013 £862
Amounts utilised in year (571) (52)
Provisions raised in year 23 -
Closing balance at 30 September 2014 £291 £862

Operating lease commitments

At the year end, the Legion was committed to payments during the next year in respect of operating leases which expire:

- within one year £118
- within two to five years £320
- over five years £938

Total £1,376

The Royal British Legion Women’s Section

The Legion’s accounts (charity) include the financial results for The Royal British Legion Women’s Section. The Women’s Section, which is constituted under The Royal Charter, is a membership organisation for women with around 773 branches and 32,326 members.

The Women’s Section contributes £1,017k (2013: £1,018k) towards the Legion’s incoming resources. It provides care and support for the ex-Service community by means of a membership organisation for women with around 773 branches and 32,326 members.

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The Pension reserve is a specific allocation of unrestricted funds in relation to the Royal British Legion Staff Pension Fund.

Branch, county and district funds, which have been built up by the Legion's branch network over many years. The income thereon is used to support the activities of the Legion's designated funds include:

- Benevolent Fund
- Permanent endowment funds
- British Korean Veterans (1981) Relief Fund
- Grants for specific purposes
- Charity Commission schemes
- Advantage has been taken of exemptions under FRS8 Related Party Disclosures not to disclose balances with or transactions between the Legion and its wholly-owned subsidiaries.

Other transfers of £460k from unrestricted funds to the restricted property reserve represent the reclassification of functional properties as investment properties held on restricted trusts.

A decision has been taken to exclusively Bank funds, not relating to the Hong Kong and Santiago Legion Branches as it is unlikely that these funds can be reclassified to the wider Legion due to the local laws and regulations.

The Legion’s free reserves comprise the central benevolent fund and these designated funds which are held in central cash deposits. The central benevolent fund incorporates the core activities of the Legion in the administration of the built-to-care homes and welfare break centres, giving grants, providing resettlement training, advising on pension claims service and acting as the custodian of Remembrance. The proceeds from the annual Poppy Appeal collection are allocated to the fund. In addition, work continues on the release of funds from Branch Property Trusts as covered in note 26.

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The Trustees would like to recognise the support given by the following co-opted members, who bring their special expertise to the boards and committees on which they sit:

- Flight Lieutenant Ian C. Malla MA FCA RAuxAF
- Paul Orchard-List FRICS
- Anthony Macaulay

National President
John Crisford (Chairman)
CB CVO

National Vice-Presidents
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