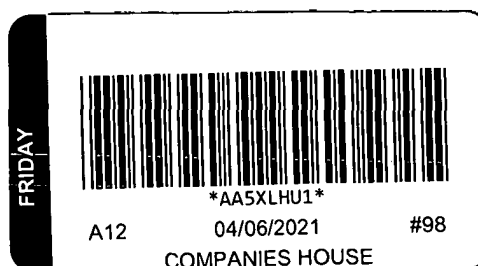


Company Registration No. 02522956
Registered Charity No. 1145007

Royal British Legion Poppy Lottery Limited
Annual Report and Financial Statements
For the year ended 30 September 2020



Royal British Legion Poppy Lottery Limited

Annual Report and Financial Statements 2020

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Royal British Legion Poppy Lottery Limited

Annual Report and Financial Statements 2020

Officers and professional advisers

Trustees

The Trustees of the charity, who are the Directors for the purposes of company law, who served throughout the year and up to the date of signing this report were:

Daniel Oppenheimer

Claire Rowcliffe

Secretary

Luke Joannou

Registered Office

199 Borough High Street

London

SE1 1AA

Bankers

Lloyds Commercial

Public & Community Sector

3rd Floor

25 Gresham Street

London

EC2V 8EH

Statutory Auditor

Deloitte LLP

Hill House

1 Little New Street

London

EC4A 3TR

Royal British Legion Poppy Lottery Limited

Trustees' annual report (incorporating a Directors' report)

The Trustees present the Trustees' annual report and audited financial statements of Royal British Legion Poppy Lottery Limited ("the charitable company") (registered charity number 1145007, company registration number 02522956) for the year ended 30 September 2020. The legal and administrative details on page 1 form part of this report.

The report and financial statements have been prepared in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards, including the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (SORP 2019).

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption, including the exemption from preparing a strategic report.

Structure, governance and management

Royal British Legion Poppy Lottery Limited is constituted as a charitable company limited by shares and governed by its Articles of Association. The charitable company is a wholly-owned subsidiary of The Royal British Legion (RBL), established to raise funds in support of its parent charity through the running and marketing of lottery activities. All lottery activities were transferred to the parent charity on 1 April 2020 at which time Royal British Legion Poppy Lottery Limited became inactive. It is the intention of the directors/trustees to let the charitable company become dormant as there may be a need for the charitable company to support RBL in the future. Trustees of the charitable company are appointed by the parent charity Trustees and are not remunerated for their role as Trustees.

The key decisions regarding RBL's fundraising activities are taken by its Trustees, which include the activities of this charitable company. Day-to-day management of the charitable company has been delegated to RBL's Assistant Director of Fundraising: Individual Giving who is jointly employed by RBL and the charitable company.

There were four members of staff employed jointly by the charitable company and RBL who carry out work on behalf of the charitable company. Costs relating to this work are recharged from RBL to the charitable company. Pay and remuneration policies are therefore determined by, and aligned with, those of RBL. Upon the transfer of lottery activities on 1 April 2020, these staff members returned to working solely for RBL.

Trustees and their interests

The Trustees at the date of this report and who served during the year are identified on page 1.

Newly elected Trustees are given induction training on their duties and responsibilities as members of the Board of Trustees. Training needs are reviewed on an annual basis and specific training is given to Trustees as required.

The trustees in office have no beneficial interest in the shares of the charitable company and are employed by RBL.

Public benefit statement

In considering the operation, achievements, performance and finances of the charitable company, the Trustees are satisfied that public benefit has been provided in accordance with the Charities Act 2011 and the guidance provided by the Charity Commission. Public benefit is provided through a grant made to support the charitable activities of the parent charity, The Royal British Legion (charity number 219279).

Royal British Legion Poppy Lottery Limited

Trustees' annual report (incorporating a Directors' report) (Continued)

Objectives and activities

The objective of the charitable company is to support and facilitate the charitable activities of The Royal British Legion (charity number 219279) for the public benefit. This was achieved prior to 31 March 2020 by the making of an annual grant of funds raised through the running of a weekly lottery draw and the sales of scratchcards through third party retailers. From 1 April 2020 the charitable company became inactive upon transferring its activities and assets to the parent charity Royal British Legion.

During the year, an amount of £2.3 million (2019: £2.4 million) was awarded to the parent charity by way of a grant payment.

Achievements and performance

The Royal British Legion Poppy Lottery Ltd (RBLPL) was established in December 2011 as a wholly owned subsidiary of The Royal British Legion (RBL) to raise funds in support of the charitable objectives of the legion. Following discussions with the Gambling Commission, the regulatory body that grants the RBL group lottery licences, it was agreed that it was preferable for the activities, assets and liabilities of RBLPL to be transferred into the parent entity RBL. This transfer was implemented on 1 April 2020, therefore the Achievement and Performance report below and the Statement of Financial Activities for the 2020 year reflects only 6 months of activity.

Until 31 March 2020 the charitable company generated income primarily through the operation of the weekly Poppy Lottery draw. The Royal British Legion charity also runs a quarterly raffle draw. During the weeks when the raffle takes place (1 week in total in the period 1 October 2019 to 31 March 2020), the weekly subscribers are entered into the raffle instead meaning no draw takes place in this charitable company. As a result 25 draws were operated through Royal British Legion Poppy Lottery Limited in the six months during which it operated actively.

Poppy Lottery began the financial year with 135,746 active lottery entries. During the 6 months of activity, 14,800 new weekly entries were attracted to the lottery through a wide range of marketing media including TV advertising, face-to-face fundraising from hired promotional space, direct mail and inserts. By the end of March 2020, after attrition, 139,131 entries were still active, representing an increase of 2% from the start of the financial year. This equated to 105,857 active players, as players can have multiple lottery entries. Player attrition was lower than in previous years and is minimised by retention communications to players including newsletters containing information about the cause they are supporting, and additional free opportunities to win in special prize draws and competitions.

The team responsible for running the Poppy Lottery introduced a number of KPIs this year to better monitor the performance of the Poppy Lottery. These include the following:

- Number of active players
- Number of active plays
- Lapsed and cancelled entries
- Number of new players
- Percentage of supporters with marketing permissions (split by email, mail and phone)

Royal British Legion Poppy Lottery Limited

Trustees' annual report (incorporating a Directors' report) (Continued)

Responsible fundraising

Poppy Lottery's approach to fundraising is driven by three key fundraising principles:

- **Accountability:** Our own and third-party fundraisers are required to ensure that their fundraising is delivered Fundraising Regulator's standards. We will only work with third parties who share this commitment.
- **Fairness:** We set out to treat all members of the public fairly. We try to explain clearly how donations can be made, how regular donations can be stopped and how supporters can change their communication preferences.
- **Respect:** We respect our supporters' privacy. We continue to make use of the Mailing Preference Service and Fundraising Preference Service.

The parent charity, the Royal British Legion (RBL), is registered with the Fundraising Regulator and is a member of the Institute of Fundraising. We aim to comply with the Fundraising Regulator's Codes of Fundraising Practice and we make appropriate use of their logo on our fundraising materials. Our Fundraising Promise is published on the RBL's website and we strive to comply with the commitments we have made.

We also set out to comply with UK data protection legislation. During 2020 we ran further data protection exercises and refreshed all fundraising staff through online data-protection training. One example of an exercise that we ran was to improve our processes for identifying and removing lapsed supporters from our database. As a result of this work we can more quickly identify these supporters and remove the data by bulk, making the whole process more accurate and efficient.

Our Privacy Promise is available to all on the front page of our website and we continue to operate the supporter 'Preference Centre' which gives supporters full control of the communications they receive from the RBL group. We continue to try hard to ensure that our fundraising is not unreasonably intrusive or persistent and does not put anyone under undue pressure to donate. All mass supporter communications are checked for compliance before they go to print, and we continue to invest in ways to ensure we are not overcommunicating with our supporters.

We recognise that we have an obligation to protect those who may be in vulnerable circumstances. We do this in a way which strikes a balance; setting out to protect potential donors while also being respectful of any desire they express to support us.

Some of our fundraising activity is carried out by our own staff, some by volunteers, and a small proportion is delivered by professional fundraising agencies. All commercial third parties are subject to due diligence at the procurement stage and ongoing monitoring by the Legion's own fundraising staff and external agencies. The Legion is signed up to the Institute of Fundraising's Mystery Shopping Programme and we also conduct our own Mystery Shopping exercises for all face to face agencies that we employ. The legion listens to a proportion of all the fundraising calls made on our behalf by third party fundraising agencies, on a monthly basis. We work in partnership with the professional fundraising agencies that we employ. We visit their premises regularly to provide training on our standards as well as 'train the trainer' to ensure our standards can be made clear to new fundraisers and refreshed with existing fundraisers who are representing us. The level of monitoring and training is proportionate to the respective agency's performance. This is determined during weekly status calls and quarterly review meetings.

Royal British Legion Poppy Lottery Limited

Trustees' annual report (incorporating a Directors' report) (Continued)

We always aim to provide our supporters with a positive experience. However, we recognise that fundraising activity sometimes generates complaints. Our approach to these is that they are an opportunity to better understand our supporters. In 2019/20, the number of complaints relating to fundraising activity was 103. This number has increased from 2018/19. This year we have changed how we report on complaints to include 'any notification of dissatisfaction'. We are actively encouraging supporters to give us feedback and have implemented new processes to review, analyse trends and improve our interactions with our supporters. The largest category of complaints was 'Fulfilment'.

Financial review

During the year, the charitable company has generated income of £3.5 million (2019: £6.2 million), of which £3.48 million (2019: £6.1 million) was from the weekly Poppy Lottery draws, with the remainder coming from general donations. This decrease is due to only operating for the first 6 months of the year before the transfer as mentioned above.

Lotteries costs, consisting of marketing costs (including print, design, postage and fundraisers), draw administration, prize fund and salaries, totalled £1.2 million (2019: £3.8 million). This decrease is again due to only operating for the first 6 months of the year.

The surplus generated by lottery activities of £2.3 million (2019: £2.4 million) has been awarded as a grant to the parent charity to support its charitable objects, and is therefore recognised as expenditure on charitable activities within the financial statements.

The results for the year are shown on page 11 of the financial statements.

At 30 September 2020, the charitable company had £nil cash at bank (2019: £3.85 million), and total current assets of £6 (2019: £3.85 million). All assets have been transferred over to The Royal British Legion at the transfer date including the receipts in advance from the lottery players.

Total current liabilities at 30 September 2020 were £nil (2019: £3.85 million), leaving net assets of £6 (2019: £6).

Reserves policy

All funds are unrestricted and it is the policy of the charitable company that all profits are disbursed to the parent by way of an annual grant payment, hence no reserves are held beyond the £6 (2019: £6) share capital. The charitable company is a subsidiary of The Royal British Legion and can call upon the reserves of the parent charity.

Key risks and uncertainties

The Trustees are responsible for ensuring that risks are properly considered, for identifying an acceptable level of risk, and for developing control measures to manage and mitigate against those risks. The Board draws on the advice and resources of the parent charity's Audit Committee and Internal Audit Department and adopts its internal control and risk management procedures.

The principal risks and uncertainties whilst actively operating were key supplier risk, as the charitable company was reliant on a single supplier for the operation of the weekly lottery draws, and regulatory risk associated with the sector in which the charitable company operated. There were regular meetings between the charitable company and the key supplier to review performance and any issues arising. There are a number of other External Lottery Managers who are licensed by the Gambling Commission to run lotteries, so there are alternative suppliers available. The Gambling Commission draw submissions are submitted after each draw and are independently audited annually as is required by the Gambling Commission.

Royal British Legion Poppy Lottery Limited

Trustees' annual report (incorporating a Directors' report) (Continued)

The charitable company's activities are included in The Royal British Legion's group insurance policy which provides a comprehensive package of insurance against foreseeable risks including public and product liability.

The charitable company is covered by insurance from loss arising from neglect or default of its Trustees, and to indemnify the Trustees against the consequences of neglect or default on their part.

Plans for future periods

The charitable company will remain inactive for the foreseeable future.

Going concern

As the directors do not have charitable plans following the transfer of the lottery arrangements and as the charitable company is inactive at 30 September 2020 these accounts have been prepared on a basis of other than a going concern.

Disclosure of information to Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make aware of any relevant audit information and to establish that the company's auditor is aware of that information.

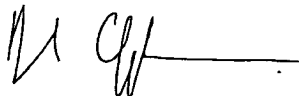
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and it is proposed to reappoint them by ordinary resolution.

This report was approved by the Board and has been prepared in accordance with the small companies regime of the Companies Act 2006.

Approved by the Board of Trustees
and signed on behalf of the Board



.....
Daniel Oppenheimer
Trustee

Date: 12th March 2021

Royal British Legion Poppy Lottery Limited

Trustees' responsibilities statement

The Trustees (who are also Directors of Royal British Legion Poppy Lottery Limited for the purposes of company law) are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, 'The financial reporting standard applicable in the UK and Republic of Ireland'.

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- 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 UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

In so far as the Trustees are aware:

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

Royal British Legion Poppy Lottery Limited

Independent auditor's report to the members of Royal British Legion Poppy Lottery Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Royal British Legion Poppy Lottery Limited (the 'charitable company'):

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2020 and of its resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of financial activities (incorporating the income and expenditure account);
- the balance sheet; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

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

Royal British Legion Poppy Lottery Limited

Independent auditor's report to the members of Royal British Legion Poppy Lottery Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Royal British Legion Poppy Lottery Limited

Independent auditor's report to the members of Royal British Legion Poppy Lottery Limited (continued)

Matters on which we are required to report by exception

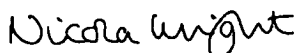
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the trustees' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Nicola Wright, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle upon Tyne, United

Date: 22 March 2021

Royal British Legion Poppy Lottery Limited

Statement of financial activities (incorporating the income and expenditure account)

Year ended 30 September 2020

| | | Unrestricted Funds | |
|--|------|--------------------|--------------------|
| | | 2020 | 2019 |
| | Note | £ | £ |
| Income from: | | | |
| Donations | | 27,469 | 39,719 |
| Other trading activities - lotteries | | 3,478,250 | 6,135,905 |
| Total income | | 3,505,719 | 6,175,624 |
| Expenditure on: | | | |
| Raising Funds | 3 | (1,204,925) | (3,799,421) |
| Charitable activities | 4 | (2,300,794) | (2,376,203) |
| Total expenditure | | (3,505,719) | (6,175,624) |
| Net income for the year | | - | - |
| Reconciliation of funds: | | | |
| Total funds brought forward | | 6 | 6 |
| Retained earnings carried forward | | 6 | 6 |

All gains and losses recognised in the year are included in the Statement of Financial Activities. All amounts relate to discontinued operations in 2020 (continued operations in 2019).

Royal British Legion Poppy Lottery Limited

Balance Sheet

As at 30 September 2020

| | | 2020 | 2019 |
|--|------|----------|------------------|
| | Note | £ | £ |
| Current assets | | | |
| Debtors | | 6 | - |
| Cash at bank and in hand | | - | 3,849,461 |
| | | <u>6</u> | <u>3,849,461</u> |
| Liabilities: | | | |
| Creditors: amounts falling due within one year | 9 | - | 3,849,455 |
| | | <u>-</u> | <u>3,849,455</u> |
| Net current assets | | <u>6</u> | <u>6</u> |
| Total net assets, being total assets less current liabilities | | <u>6</u> | <u>6</u> |
| Funds | | | |
| Unrestricted funds | | | |
| Share capital | 12 | 6 | 6 |
| | | <u>6</u> | <u>6</u> |
| Total charitable funds | | <u>6</u> | <u>6</u> |

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements of Royal British Legion Poppy Lottery Limited, were approved and authorised for issue by the Board of Trustees on.....12th March 2021.....

Signed on behalf of the Board of Trustees



.....
Daniel Oppenheimer
Trustee

Company Registration No. 02522956

The notes on pages 14-19 form part of these accounts.

Royal British Legion Poppy Lottery Limited

Cash flow statement

For the year ended 30 September 2020

| | | 2020 | 2019 |
|--|------|-------------|-------------|
| | Note | £ | £ |
| Net cash absorbed by operating activities | A | (3,849,461) | (1,009,160) |
| Cash and cash equivalents at the beginning of the year | | 3,849,461 | 4,858,621 |
| Cash and cash equivalents at the end of the year | | - | 3,849,461 |

A. Reconciliation of net income to net cash flow from operating activities

| | | |
|--|-------------|-------------|
| Net income for the year (as per the Statement of Financial Activities) | - | - |
| Adjustments for: | | |
| (Increase)/decrease in debtors | (6) | 28,085 |
| (Decrease)/increase in creditors | (3,849,455) | (1,037,245) |
| Net cash absorbed by operating activities | (3,849,461) | (1,009,160) |

Royal British Legion Poppy Lottery Limited

Notes to the financial statements

Year ended 30 September 2020

1 Accounting policies

The principal accounting policies which have been applied consistently in both the current and prior years, with the exception of the going concern note, are as follows:

General information and basis of accounting

Royal British Legion Poppy Lottery Limited is a private charitable company limited by shares, incorporated in England & Wales. The governing document of the charitable company is its Memorandum and Articles of Association. Its registered office is 199 Borough High Street, London, SE1 1AA.

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (SORP 2019), and the requirements of the Charities Act 2011 and the Companies Act 2006. The financial statements have been prepared in pounds sterling and have been rounded to the nearest pound.

The charitable company considers its Key Management Personnel to be its trustees.

The charitable company is a public benefit entity.

Going Concern

As the directors do not have charitable plans following the transfer of the lottery arrangements and as the charitable company is inactive at 30 September 2020 these accounts have been prepared on a basis of other than a going concern.

Income

Income is recognised in the period in which the charity is entitled to receive it, when receipt is probable, and the amount can be measured with reasonable accuracy.

For lotteries sales, income is recognised when the lottery draw has taken place. Cash received in advance from players is held on the Balance Sheet as deferred income until the relevant draw has taken place.

Royal British Legion Poppy Lottery Limited

Notes to the financial statements (continued)

Year ended 30 September 2020

1 Accounting policies (continued)

Expenditure

Expenditure is accounted for on an accruals basis. Irrecoverable VAT is included within the expense items to which it relates. Expenditure comprises:

- Cost of raising funds representing expenditure on lotteries, including employment costs and prize money.
- Charitable activities, which includes all expenditure directly related to the delivery of the company's objectives and consists of grant payments to the parent charity. Grants payable are recognised in the Statement of Financial Activities when awarded and the recipient has a valid expectation of receipt.

Support costs

The only support costs are governance costs, which represent the costs of governance arrangements relating to the general running of the charity as opposed to the direct costs of operating the Poppy Lottery. Support costs have been allocated wholly to expenditure on raising funds.

Fund Accounting

All funds raised are unrestricted funds, available for use in furtherance of the objects of the charity.

Pensions

There are four members of staff employed jointly by the charitable company and its parent charity, The Royal British Legion, who carry out work on behalf of the charitable company. Costs relating to this work are recharged from the parent charity to the charitable company. Employees operating under this arrangement are eligible to join the Group Flexible Retirement Plan (GFRP) operated by The Royal British Legion. The GFRP is a defined contribution scheme and employer contributions are charged to the Statement of Financial Activities as incurred. Pension contributions are paid in line with the current pension regulations. This was not impacted when the company became inactive and the payments continue to be made by the Royal British Legion.

Financial Instruments

The company only has financial assets and financial liabilities that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Debtors are recognised at the settlement amount due after any discount offered and net of any bad debt provision. Creditors and provisions are recognised where the charitable company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Royal British Legion Poppy Lottery Limited

Notes to the financial statements (continued)

Year ended 30 September 2020

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in note 1, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The Trustees do not consider that there are any critical judgements or sources of estimation uncertainty requiring disclosure that are not already disclosed above.

3 Expenditure on raising funds

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Lotteries costs (excluding staff costs) | 1,120,189 | 3,608,595 |
| Lotteries staff and agency staff costs | 74,506 | 177,826 |
| Support costs (governance costs - note 5) | 10,230 | 13,000 |
| Total expenditure on raising funds | 1,204,925 | 3,799,421 |

4 Charitable activities

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Grant to The Royal British Legion (parent charity) | 2,300,794 | 2,376,203 |
| Total charitable activities | 2,300,794 | 2,376,203 |

5 Auditor remuneration

| | 2020 £ | 2019 £ |
|---|---------------|---------------|
| Fees payable to the company's auditor for the audit of the statutory accounts | 9,200 | 12,000 |
| Fees payable to the company's auditor for other services - other assurance services | 1,030 | 1,000 |
| Total auditor remuneration | 10,230 | 13,000 |

Royal British Legion Poppy Lottery Limited

Notes to the financial statements (continued)

Year ended 30 September 2020

6 Staff and trustee related costs

Employees

Staff related costs included recharges from the parent charity totalling £80,806 (2019: £157,216) in respect of 4 (2019: 4) full-time equivalent employees undertaking work related to the Poppy Lottery. These individuals were employed under joint employment contracts with both the charitable company and its parent charity. In addition, agency staff costs of £nil (2019: £10,500) were incurred.

No employees received employee benefits of more than £60,000.

Trustees' emoluments

The Trustees listed on page 1 are employees of Royal British Legion and are remunerated for their services to RBL, however received no remuneration (2019: nil) from Royal British Legion Poppy Lottery Limited for their services as Trustees and Directors of the charitable company. No expenses (2019: nil) have been paid to the Trustees nor did they receive any other benefits.

7 Taxation

Royal British Legion Poppy Lottery Limited is a registered charity, and as such is entitled to certain tax exemptions on surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these surpluses are applied solely for charitable purposes.

No tax liability has arisen during the year.

8 Debtors

| | 2020 | 2019 |
|------------------------|------|------|
| | £ | £ |
| Amount due from parent | 6 | - |

9 Creditors: amounts falling due within one year

| | 2020 | 2019 |
|-----------------------------------|------|-----------|
| | £ | £ |
| Trade Creditors | - | 9,453 |
| Amount owed to parent undertaking | - | 2,683,464 |
| Other creditors | - | 21,371 |
| Deferred Income (note 11) | - | 701,819 |
| Accruals | - | 433,348 |
| | - | 3,849,455 |

The amounts owed to and from parent undertaking are non-interest bearing and repayable on demand.

Royal British Legion Poppy Lottery Limited

Notes to the financial statements (continued)

Year ended 30 September 2020

10 Grant Commitments

| | £ |
|---|-------------|
| Opening balance as at 1 October 2019 | 2,376,203 |
| Grants awarded to parent charity | 2,300,794 |
| Grants paid to parent charity | (4,676,997) |
| Closing balance as at 30 September 2020 | - |

Grant commitments relate to grants awarded to the parent charity which remained unpaid at year-end. The balance of £2,300,794 for the first six months of the year has been settled at the date of transfer through the transfer of ownership of the bank account to Royal British Legion, leaving no remaining balance at year end.

11 Deferred Income

| | £ |
|--|-----------|
| Opening balance as at 1 October 2019 | 701,819 |
| Receipts in advance from lottery players | - |
| Deferred income released in respect of lottery entries | (701,819) |
| Closing balance as at 30 September 2020 | - |

12 Share capital

| | 2020 | 2019 |
|---|----------|----------|
| Allotted, called up and fully paid | £ | £ |
| 6 ordinary shares of £1 each | 6 | 6 |

As part of the transfer of activities to Royal British Legion on 1 April 2020 the bank account previously maintained by the Charitable Company was also transferred in ownership, meaning all cash was paid to RBL and a bank account is no longer maintained by the charitable company, therefore an intercompany debtor now exists for the share capital.

13 Ultimate parent undertaking

The Trustees regard The Royal British Legion, a registered charity in England and Wales (registered charity number 219279), as the ultimate parent undertaking and ultimate controlling party. The parent undertaking of the smallest and largest group which includes the charitable company, and for which group accounts are prepared, is The Royal British Legion. The Royal British Legion exercises control over the charitable company through its ability to appoint and remove Trustees.

The objectives of The Royal British Legion are to safeguard the memory of those who have fought and died in conflicts past and present, and to provide advice, information and support to serving men and women, veterans and their families in areas such as education, employment, mental and physical health and independent living.

Royal British Legion Poppy Lottery Limited

Notes to the financial statements (continued)

Year ended 30 September 2020

Copies of the parent's financial statements may be obtained from The Royal British Legion, Haig House, 199 Borough High Street, London, SE1 1AA.

Royal British Legion Poppy Lottery Limited

Notes to the financial statements (continued)

Year ended 30 September 2020

14 Related party transactions

The charitable company had the following transactions with its parent charity, The Royal British Legion (RBL), during the year:

- RBL recharged employment costs totalling £80,806 (2019: £167,716) to Poppy Lottery.
- RBL recharged other expenditure relating to the operation of Poppy Lottery totalling £35,663 (2019: £48,510) to Poppy Lottery.
- Poppy Lottery awarded a grant of £2,300,794 (2019: £2,376,203) to RBL.

In addition, the charitable company acts as an agent for RBL in respect of the operation of the quarterly Poppy Raffle. During the year, Poppy Lottery collected a total of £140,604 (2019: £511,646) on behalf of RBL, this was settled at the date of transfer leaving with no remaining balance.

At 30 September 2020, Poppy Lottery had a total debtor balance of £6 owed from RBL (2019: creditor of £2,683,464 owed to RBL).

During the year, the charitable company also purchased goods to the value of £1,840 (2019: £nil) from RBL Trading Ltd, which is a wholly owned subsidiary of RBL. There were no outstanding balances with RBL Trading Ltd at 30 September 2020 (2019: nil).

There were no other related party transactions which require disclosure.