

THE PRINCE AND PRINCESS OF WALES HOSPICE

REPORT AND ACCOUNTS

31 MARCH 2014



**The Prince & Princess
of Wales Hospice**

THE PRINCE AND PRINCESS OF WALES HOSPICE

COMPANY INFORMATION

Directors

Maureen Henderson OBE (Chairman)
Phil McEwan (Vice – Chairman)

Ellie Bird
Robert Booth OBE
Ronnie Bowie
Murray Cromar
Surjit Chowdhary
Douglas Hansell

Steuart Howie
David Hunter
Ally McLaws
Eleanor Martin
Brett Nicholls
Ian Reid
Alan Tomkins

Secretary

W Iain M Somerville

Chief Executive

Rhona Baillie

Registered Office

71 Carlton Place
Glasgow
G5 9TD

Company Registered Number

SC 084008

Charity Registration Number

SC 012372

Bankers

The Royal Bank of Scotland plc
10 Gordon Street
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Solicitors

Lindsays LLP
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Buchanan Street
Glasgow
G1 3AA

Pinsent Masons LLP
123 St Vincent Street
Glasgow
G2 5EA

Auditors

Wylie & Bisset LLP
168 Bath Street
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Stockbrokers

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Aurora 5th Floor
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DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT

The Directors submit their Annual Report, Strategic Report and Accounts for the year ended 31 March 2014. The legal and administrative information contained on the preceding page forms part of this report.

1. Purpose and Principal Activities

The Prince and Princess of Wales Hospice (the Hospice) is located beside the River Clyde in Glasgow City Centre. The principal activity of the Hospice is the care of patients with life limiting progressive disease and their families. The Hospice offers four distinct areas of care to patients – Inpatient, Day Services, Clinical Nurse Specialist Community team and input to Acute Hospital teams. Patients may access any or all of them, according to individual needs. From a community health perspective, the Hospice covers three Community Health Care Partnerships with responsibility for a population of approximately 345,000 people, serviced by around 80 local GP practices.

The Hospice team act as a resource to health care professionals who provide palliative care in all of these settings. A team of over 100 (FTE) staff and 650 volunteers combine to provide patient and family care and to generate and manage the funding required. The Hospice currently receives over 1,000 new referrals a year. Care is free and culturally sensitive.

The Hospice operates in co-operation with NHS Greater Glasgow & Clyde under a service level agreement for the provision of Specialist Palliative Care services in keeping with the policy context of NHS CEL 12 (2012). As part of this service level agreement, the Hospice contributes to national and local strategy and associated action plans.

2. Structure, Management and Governance**Governing Document**

The Prince and Princess of Wales Hospice is a charitable company limited by guarantee, incorporated on 20 July 1983 and is a Registered Scottish Charity. It is established under its Memorandum of Association which lays out the objects and powers of the company and is governed by its Articles of Association which set out the legal and organisational procedures to which its administration must adhere.

Organisational Structure and Management

The Hospice has a clear reporting structure where senior staff members with defined responsibilities report to the Chief Executive who in turn reports to the Board of Directors. Day to day operational responsibility is delegated to the Chief Executive and the Hospice management team. All seven members of the management team are present at fortnightly management meetings and monthly board meetings, participating in subgroups as appropriate.

In addition to the provision of patient care, the Hospice has a trading company to raise funds towards the funding of the care. Hospice Enterprises Limited operates charity shops in Glasgow.

In November 2011, the Hospice formed a new subsidiary company, Hospice Developments Ltd, to organise and oversee the development of a new build hospice facility in South Glasgow, to which it is hoped that the Hospice will relocate within a five year timescale.

Directors and Trustees

The Directors of the charitable company (the charity) are its Trustees for the purpose of charity law and throughout this report are referred to as the Directors or collectively as the Board of Directors.

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)**Recruitment and Appointment of Directors**

Under the requirements of the Memorandum and Articles of Association, members of the Board are elected to serve for a period of three years after which they must be re-elected at the next AGM. Unless otherwise resolved by the Hospice Members in General meeting, a maximum of two terms (six years) may be served. The members have resolved to extend the terms of three Directors who are presently serving on the Board. The Board meets at least ten times per year.

The Board is comprised of individuals with a wide range of skills broadly based in business, financial and clinical areas. To maintain the balance, retired Directors are replaced by those with an appropriate skill set. This ensures that the Board sub-committees of Audit, Clinical Governance and Fundraising have relevant representation. In addition, independent directors with appropriate skill sets are recruited to serve on the Boards of the subsidiary companies. Potential Directors are identified by existing Board members and invited to the Hospice to meet with the Chairman of the Board and Chief Executive, to establish whether or not the appointment is appropriate. They then require to become members of the Hospice before being appointed, subject to full Board approval, as a Director of the Hospice. Hospice membership is not required but is open to independent subsidiary directors.

Director Induction and Training

New appointees to the Board and subsidiaries will meet with the Chairman of the Board and the Chief Executive at the Hospice for a tour of the facilities and additional familiarisation with the services being provided. In addition they are invited to participate in the regular inductions available to all new staff and volunteers within the Hospice.

To ensure regular updating of knowledge about the Hospice, relevant legislative and regulatory changes and developments within palliative care, all members of the Hospice management team prepare monthly reports and attend Board meetings.

The Board of Directors

The Directors who served during the year ended 31 March 2014 were as follows:

Maureen Henderson OBE (Chairman)

Phil McEwan (Vice – Chairman)

Ellie Bird

Robert Booth OBE

Ronnie Bowie

Murray Cromar

Surjit Chowdhary

Alan Dickson

Douglas Hansell

Resigned 28 July 2014

Steuart Howie

David Hunter

Ally McLaws

Eleanor Martin

Brett Nicholls

Ian Reid

Alan Tomkins

Appointed 24 April 2013

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)**Healthcare Governance**

Healthcare governance is the overall framework through which the Hospice is accountable for continuously improving clinical, corporate, staff and financial performance. The philosophy of the Hospice is to ensure the provision of high quality clinical, emotional, social and spiritual care for patients who have a progressive, life-limiting illness and support for those who care for them. Therefore healthcare governance is integral to our service and practice.

Risk Management

The Directors have charged the Risk Management Committee, under the chairmanship of the Chief Executive, with supporting corporate and clinical risk management through the development and implementation of an appropriate risk management framework. This framework comprises a steering group and three sub groups producing robust risk assessments and subsequent control measures across all departments. Risk management is co-ordinated and supported on a day to day basis by the Hospice's Risk Manager. Risks in all areas including clinical, financial, personal and organisational are minimised with procedures in place to ensure the health and safety of patients, visitors, volunteers and staff and the security of assets. This structure is overseen by the Board's Audit and Clinical and Fundraising Governance Committees which report to the Board on a regular basis. Through this structure, the Directors have assessed the major risks to which the Hospice is exposed, in particular those relating to the finances of the Hospice and its clinical practice and services, and also those arising from the major project to relocate the Hospice building and further develop services, and are satisfied that systems are in place to minimise exposure.

External Clinical Governance

The Hospice is authorised by Health Improvement Scotland (HIS) to provide Care Services. It is also recognised as a specialist palliative care provider by NHS Quality Improvement Scotland (formerly the Clinical Standards Board for Scotland) and by NHS Greater Glasgow and Clyde. Inspection visits each year ensure that the care provided is in line with the published regulations.

Staff Governance

The Directors have charged a Staff Governance Group to review matters relating to employment and human resources within the Hospice and to advise the Board on best practice. The Group is chaired by the Chairman and includes Directors who have relevant skills and experience. Meetings are attended by appropriate members of the senior management team. As well as changes in our medical staffing, the Group has been engaged in work towards pension scheme auto-enrolment which affected a large number of staff, and was implemented in April 2014.

Fundraising Governance

The Board has appointed one of its members to chair a group to look after fundraising governance, particularly related to the work which has begun to raise funds towards the relocation of the Hospice building and the development of services to young adults. The group also co-opts independent members with relevant skill and experience, and is attended by appropriate members of the senior management and capital appeal teams. The function of the group is particularly to monitor and support the activity of the capital appeal team and to report to the Board on a regular basis, but during the last year, its remit has been extended to review the on-going fundraising of the Hospice, particularly in relation to the expected future demands of an increased service provision.

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)

3. *Strategy and Objectives*

In 2008, following a period of consultation and review, both internally and with a wide range of external stakeholders, the Hospice launched its first Five Year Strategic Business Plan, "Vision and Values 2008-2013". By 2012, virtually all the objectives set out in that Plan had been achieved, with the notable exception of the provision of a building fit for purpose. The Hospice set out to remedy that omission in 2011 by launching a project to establish a new purpose build facility in South Glasgow. In addition, Vision & Values (2008 -2013) challenged the trustees, staff and volunteer team to assess, and redesign all of our clinical models of care and supporting business strategy. It provided a focus on our patients and families and a strong ethos of developing and supporting our people. By 2012 the clinical services were much more streamlined, had a strong emphasis on partnership working and were concentrating on widening access for the diverse group of patients who require our services.

To build on Vision & Values (2008-2013), we adopted the same approach of involving our staff and volunteers in a 12 month identification of strengths and weaknesses in which our patients, carers, staff and volunteers were consulted in conjunction with an external clinical advisory group including other disciplines and specialties. The consultation set out to identify the current strengths and successes of our services. The purpose was to reflect on how current services might be improved and to consider the changes and challenges that lie ahead, in order to identify priorities for future strategic developments. The main focus for development is around the refining and, where necessary, redesign of clinical services. This review was developed alongside a robust business model to support the challenging and ambitious plan. Vision and Values 2 (2013-2018) is a strategy which builds on our successful model of care to ensure access to all who require our services.

It builds on the 12 key principles which were identified in 2008:

- **Putting Patients and Families First**

We will put patients and families at the centre of everything we do, delivering equitable and expert specialist palliative care to those who need it, taking into account their social and cultural background, location, income or special needs.

- **Respect One Another**

In all our daily work, both within the Hospice and extending out to the wider community, we will treat each other with dignity and respect one another's varied and different roles.

- **Consistent and Effective Leadership**

We will ensure clear and consistent leadership across all Hospice departments, meeting educational and quality standards. We will ensure support systems are robust and consider the development of future leaders through investment in the workforce and succession planning.

- **Positive Hospice Culture**

We will embed a culture which is supportive, inclusive and open to change, with staff and volunteers committed to providing the highest quality of care to those who put their trust in us.

- **A Workforce Fit for Purpose**

The Hospice will develop a resilient, sustainable and highly skilled workforce, by offering a comprehensive programme of education, training, development and support for all staff and volunteers. This will be responsive to service development.

- **Guided by Policy**

Hospice services will adhere to the national, professional and local standards which govern our work. A comprehensive set of policies and procedures compliant with legislation and best practice are implemented and subject to regular review. The organisation will manage risk across all services.

- **A Fully Functional Infrastructure**

The Hospice will continue to develop an infrastructure that supports the efficient technical and managerial workings of the Hospice and which is flexible in response to changing needs.

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)

- **Robust Business Practices**

The Hospice will ensure that our HR, administrative and financial practices are effective, efficient and transparent, responding to changing demands and opportunities. The Hospice will maintain on-going financial stability by ensuring an effective fundraising and marketing strategy that balances income generation with expenditure.

- **Financial Stability**

The Hospice will maintain on-going financial stability by ensuring an effective income generation strategy.

- **Imparting Knowledge and Practice Development**

The Hospice will continue to be recognised as a centre of excellence in delivering palliative care educational programmes and will participate in research opportunities.

- **Partnership Working**

Our services are developed in collaboration with local health and social care providers and in co-production with patients and families.

The Hospice engages the public in meaningful dialogue about palliative care and Hospice services.

- **Premises and Facilities Fit for Purpose**

The Hospice will optimise the use of the current building and facilities, whilst developing a purpose built Hospice for the future.

Vision & Values 2 (2013-18)

The publication of the Scottish Government action plan Living and Dying Well (2008), followed by the Healthcare Quality Strategy for NHS Scotland (2010), placed a responsibility on all staff for the delivery of palliative care to all patients and families who need it in a consistent, comprehensive, appropriate and equitable manner across all care services. Since the publication of this document there has been a sea-change across the country with more people than ever before being identified as requiring their palliative care needs assessed and, as far as possible, having their choices supported. It is now more important than ever that our staff are equipped to deliver complex care with a workforce that is resilient and sustainable, highly trained and able to support the most complex of patients and families.

The key Clinical themes within the new strategy are:

- 1) To provide safe, effective, efficient and flexible hospice care using quality assurance processes to drive the quality improvement of hospice clinical services.
- 2) To develop new partnerships and enhance ones with health and social care providers to extend the delivery of palliative care to those who need it, in an appropriate and acceptable setting.
- 3) To widen access to Hospice and palliative care services for marginalized groups, in order to tackle health inequalities and accessibility issues to palliative care in South Glasgow and the wider health board population.
- 4) To engage with patients, families, clinical partners and the wider public to increase their knowledge and awareness of hospice and palliative care services, whilst promoting an openness about death, dying and bereavement.
- 5) To ensure all new Hospice services are developed in co-production with patients, families, clinical partners and the wider public.
- 6) To ensure that relevant and appropriate information about hospice services is widely available and in accessible formats.
- 7) To ensure e-health systems are developed to maximise effective and efficient clinical use.

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)

4. Activities

Since its inception in the 1980's, the Hospice's clinical services have grown from an original volunteer led telephone support line in 1985, to the development of day services in 1986, out-patient and home care services in 1987, progressing to a fourteen bedded in-patient unit in 2002. To date, the Hospice services and the building have grown organically responding to need and opportunity.

We now support over 1200 patients and families every year, and have developed our services to reflect the need for a flexible, patient and family centred programme of care, with an ethos of supporting people to live as well as possible for as long as possible in the place of their choice.

In the year 2013/14 the Hospice team ensured a high quality, effective, efficient and flexible service across all settings internally and externally.

Our overarching clinical strategy was underpinned by the principles of partnership working with external bodies. Some highlights of the year in clinical services were:

- The development of the South Glasgow Hospice Palliative Care Services, ensuring patient care is continuous across settings and services.
- The influence and support of developmental programmes with non-malignant speciality team eg Renal and Motor Neurone Disease.
- The widening of access to Hospice services to marginalised groups eg learning disabilities, asylum seekers and refugees.
- The development of care models for young people with life limiting illness.

In addition, a focus has been placed on:

- The development of a consistent and strategic approach to public engagement raising awareness of Hospice services.
- The development of community drop in's to offer signposting and information about Hospice services.
- A participation in national awareness raising events.
- Raising the profile of Hospice services with clinical partners including GP's, out of hours services and hospital colleagues.

All of the clinical services are developed in conjunction with patients, families, clinical partners and the wider public.

Challenges with our current facility

Carlton Place, the current location of the Hospice, is a Georgian terrace overlooking the River Clyde. A beautiful building, it has seen many uses over its history and for the past 30 years has been home to the Hospice. The Hospice has been extended to the rear, moved into the buildings on either side and been knocked through internally to create a facility that houses both in-patient and out-patient services. There is no scope for any further expansion or development and yet the Hospice building needs to continue to change and develop to reflect modern health care requirements and service developments.

Arising from a strategic review of our services described above, in 2011 we announced our intention to relocate to a purpose built specialist palliative care unit, recognising the challenges that a 200 year old building presents to modern day care.

This decision was based upon the challenges our staff face every day, for example:

- Inadequate provision for patients and families: lack of single bedrooms in the in-patient unit, inadequate provision for families to stay and a lack of visual and auditory privacy
- Access issues both into and around the building: steps to the front, long and steep ramp to the rear, internal swing doors that require to be kept closed, complex building layout with internal steps between patient areas
- The in-patient unit is on the first floor, with no garden access and some bed spaces having no access to external windows
- Inflexible day services design leading to limited expansion of out-patient services and lack of choice and privacy for day services patients

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)

- Very limited outside space, with only a small, overlooked paved area beside the car park, which is remote from the in-patient unit and therefore hard to access
- Inadequate prayer and washing facilities for patients and families from minority ethnic backgrounds
- Very small car park, leading to patients and visitors using the short stay on street parking, causing frustration and expense

Although the standard of care that is delivered by the team is very high, as evidenced by our consistently excellent assessments from Healthcare Improvement Scotland (HIS), there is a recognition that care experience can be hampered by the facilities. Patients and families have spoken to us about the distress they sometimes experience in our current building, with a lack of privacy and dignity and the challenges they can face with the impracticalities of our facilities. Our team are determined to address these.

A recent report from the Commission into the Future of Hospice Care (Help the Hospices 2013) recognises that hospices need to change to respond to the increasingly diverse requirements of the population. We cannot fully make those changes in our current building.

The Hospice has developed a clinical strategy which reflects the team's aspiration towards modern, innovative, inclusive palliative care services for people of all ages and from all backgrounds. This strategy requires a modern, fit for purpose building in which to deliver services shaped around the needs of the patients and families, reflecting the expectations of today and tomorrow's patients.

A New Hospice for Glasgow

Over the past three years extensive consultation has taken place with patients and their families, staff and volunteers and our clinical partners in NHS Greater Glasgow & Clyde, and beyond. Scoping visits to other hospices have informed the design, learning from others' experiences. A site was selected on the edge of one of Glasgow's most beautiful parks, Bellahouston, in an idyllic setting with excellent transport links, and a lease is being gifted to the Hospice by Glasgow City Council.

The design of the building has been a painstaking process, and will allow a significant expansion of services, with an increase in single rooms from 14 to 16, all of which are en-suite, and more than treble the out-patient capacity. The in-patient unit is on the lower ground floor, with all bedrooms opening onto a private garden space, which leads into the Hospice grounds. Facilities for families will also be greatly expanded, allowing all families to stay, should they wish, and there will be excellent facilities to ensure children who are visiting are made to feel welcome and accommodated with safe space to play.

In addition to the current services, our new building will support service developments for younger patients, whose physical and emotional needs are often complex and who require facilities designed to suit their needs. Plans include a hydrotherapy pool, which offers significant emotional and physical health gains both to this group and to our current hospice users.

The intention behind the Hospice design is to ensure the balance between private space and social space is both flexible and determined by the patient or family themselves. This promotes patient centred care, fosters dignity and recognises that people's needs are different from each other, and vary over time.

Outreach service development

The main area for service development, reflecting patients' desire to be supported at home as far as possible, is our outreach service.

In addition, we are currently in year two of a five year plan to widen access to our services to ensure equity of care for all ages, conditions, cultures and choice of place of care.

- The facilities required for our outpatient services are currently limited by available space. There is only one consultation room and only one complementary therapy room and the main lounge area is open plan and does not afford private conversation.
- There is no waiting area for out-patient clinics, and these clinics can only run on a day when the day services lounge is not in use.
- The physiotherapy room is not well located, being in a different part of the building and is not easily accessible by wheelchair, as it requires two lifts to avoid the stairs.

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)

- The day lounge is too small to have separate areas for activities and eating, meaning activities are interrupted to set tables up for mealtime.
- Many patients attending for the day require help with transport and have limited mobility; there is an access ramp to the rear of the building but it is long and rather steep, with the drop off point competing with service deliveries and refuse collection; not an ideal welcome to the Hospice.

Future plans for out-patient services

We need to be able to support people who can attend the Hospice to do so, in an easily accessible, warm, welcoming environment that affords privacy and opportunities for socialising in equal measures, according to the individual's needs at that time. The balance of clinical care alongside social care is not easy to achieve and the new Hospice is designed to make this as easy as possible for patients and families.

The new out-patients' suite will allow this development, with a significant increase and improvement in accommodation. The suite is located on the ground floor, with easy access for all, including those who are reliant on a wheelchair, or have difficulty walking. It has its own entrance, with a covered drop off point, or can be accessed through the main Hospice building if preferred.

The suite will be a comfortable and relaxing area from which our out-patients and families will be able to attend clinics, receive a variety of complementary therapies, physiotherapy, occupational therapy, art and hair dressing as well as accessing activities within the Day Services lounge.

Within the comfortable surroundings of the day services lounge patients will have the opportunity to meet with other patients who may be suffering from similar illnesses, participate in activities, join in group discussions or watch the TV or play computer games. The lounge opens onto a terrace giving beautiful views across the garden, and if the patients wish to access the gardens directly, this is easy for them via stairs or lift.

A key gain is that all the out-patient services will be fully accessible for those even with the most complex of disabilities.

Development plans are not simply about increasing numbers, however. We have a strategic aim to widen access to Hospice services and the out-patient suite will encourage new people to access Hospice services, where traditionally they may feel Hospice care is not for them. This will be explored in several ways, for example:

- early intervention: people who require information and support but who may not feel they are at an advanced stage in their illness such that they need traditional Hospice care
- joint working: with clinical teams from within the NHS, supporting patients who would traditionally be cared for by their speciality teams and who would benefit from accessing the breadth of services within the Hospice (such as those with advanced heart failure)
- development of services for young people: we know there is a growing need to ensure that young people with palliative care needs access the clinical and social support they need and we plan to develop this service in the new build, accessing hydrotherapy as well as the other out-patient services.

Present Status

The design team completed their plans and submitted a planning application in February 2013 and full planning consent was granted by Glasgow City Council on 10 June 2013. An appropriate Building Warrant has also been granted. The Hospice team is clear that to make no change and to stay in our current facility is simply not an option to allow future care provision to meet the needs of our population. The new Hospice offers significant gains in both quantity and quality of palliative care services for the people of Glasgow. The Board, management team and supporters are now engaged in the challenging task of raising the necessary funds to allow the construction to commence.

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)***Income Generation***

The Hospice fundraising function has been steady and successful for a number of years resulting in the generation of annual operating surpluses without taking legacy income into account.

Included within this function, Hospice Enterprises, the Hospice retail function (which is a wholly owned trading subsidiary of the Hospice) continues to provide an income of around £400,000 to the Hospice annually. Our very successful Lottery is steadily approaching an annual contribution of close to £500,000. During 2013-14 these activities joined together for the first time under an overall income generation strategy, the purpose of which is to bring together all of the talents and innovation generated by each individual and team to benefit the Hospice financially, allowing us to extend our service provision within the strategy outlined above.

The new Hospice project will require total expenditure of approximately £21 million, £6 million of which the Hospice Board were confident should be funded from Revenue Reserves. So a Capital Appeal Fundraising Team was formed specifically for the task of raising the additional £15 million for the project. This team are currently working with high wealth individuals and corporate supporters, potential and present, in Scotland, London, New York and beyond. Progress so far has been good, with a high level of commitment being received in addition to a Reserve availability in excess of our original expectations. At the time of writing this report, funds committed represent around half of the necessary figure to allow the construction to proceed.

5. Financial Review**Principal Funding Sources**

The Hospice is partly funded by a contribution from NHS Glasgow & Clyde on the basis of a Service Level Agreement under the terms of NHS CEL 12 (2012). This document includes the commitment that the Scottish Government expects that NHS Boards will fund 50% of the annual running costs of independent hospices in their area. Nonetheless, NHS funding still does not include any element for capital expenditure, or projects such as bereavement, art or music, nor for many other aspects of holistic care chosen to be provided by the Hospice. In 2013-14, NHS Greater Glasgow and Clyde provided funding of £2,041,846 (2012-13 £1,829,831). NHS funding included an inflationary increase of 2.76% for the year, and free issue supplies valued at £39,413 (£46,817). Contributions by NHS Greater Glasgow and Clyde amounted to approximately 45% of the incurred costs of direct patient care in 2013-14 (2012-13 42%). The financial settlement included an increment of approximately £100,000 which goes some way towards addressing the view of the Board that recent funding has been some way short of the expectation expressed in CEL 12 (2012). The settlement for 2014-15 has now been finalised, and again includes an inflationary increase of 2.76%.

The Hospice greatly values its close relationship with its local NHS organisation which benefits many patients and families in the Glasgow area, and we recognise the significant financial constraints applying within the NHS. The Hospice meets regularly with NHS Greater Glasgow and Clyde to discuss co-operative development of the Hospice function, and appropriate funding for its activities.

The remainder of the funds required to provide the Hospice services falls to be raised through a combination of grants, direct donations, fundraising events and investment and legacy income. This total is now around £3 million annually, rising as we extend the scope of our services to meet demand. In 2013-14, our funding requirement included a reduced sum of around £25,000 (2012-13 £165,000) in respect of necessary capital expenditure during the year – this does not include costs related to the future relocation of the Hospice referred to above. 2013-14 was again a very successful year for our fundraising, but securing our necessary funding remains a challenging task.

The Hospice benefits greatly from the service of an increasing number of volunteers in a variety of capacities. We estimate that, if these services had to be paid for, they would now cost approximately £650,000 per annum.

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)**Result for the Year**

The operating surplus for the year was £372,011 (2012-13 £100,671) and reflects the policy of the Board to ensure that funds received are invested in charitable activities without delay, but with due regard to the reserves policy outlined below. The operational result reflects continuing investment in staff costs to develop patient services, assisted by the increased NHS funding noted above. Care costs, included within the cost of charitable activities rose with further investment in service staffing, and a rise in the cost of pharmaceutical supplies related directly to patient need. The latter is fully funded within the increase in NHS contribution. Investment income reduced as interest rates fell and a number of maturing investments had to be renewed at lower rates. Legacy income was at its lowest level for some time, although this is not an income upon which the Board bases its budgets. The receipt of legacies allows the funding of special projects and the faster implementation of new service provision. The Consolidated Income and Expenditure Account includes the surplus on the Capital Appeal of £375,431 bringing the surplus for the year to £1,009,837 (2012-13 £1,005,190). Fundraising income, the Hospice shops and the Lottery all exceeded target, the latter two again providing record contributions. Other incomes held up well. The Board regard this as another very satisfactory financial year, providing a continuing sound base for the planned relocation of the Hospice and development of its services.

Reserves policy

The Directors have a policy whereby reserves (excluding those which are restricted to particular uses or which represent funds tied up in present fixed assets, and which are therefore unavailable for expenditure on the charitable purposes of the Hospice) will be retained to generate income to meet future operating costs and proposed capital expenditure. Reserves are also available to allow the development of services in line with strategic goals without the need to wait until formal third party funding support is available, and to provide security in the event of a temporary reduction in income levels. A full analysis of the reserves of the Hospice and their purposes is given on pages 21 to 23 of the Accounts which follow this Report.

Investment policy

Funds which are available for investment are placed having regard to the expected future cash requirements of the Hospice, returns available and the assessed risks attached to each and overall investment.

The Directors have the power to invest in such stocks and shares in the UK as they see fit. Investment decisions are managed on a discretionary basis by professional stockbrokers. The stockbrokers' remit is to achieve a balance between income and capital growth without exposing the Hospice to unnecessary risk.

During the year, the Hospice followed its policy of spreading investment funds approximately one third each between two independent fund managers and cash or cash equivalent. Cash sums were managed directly by the Hospice, but with guidance from the investment managers, and held either in operational accounts or placed on revolving term deposits with principal UK banks or building societies. The managed funds were split between a broadly based investment portfolio and a portfolio based substantially on absolute return funds.

During the latter part of the financial year, and in consideration of the funding required for the new Hospice project, the Board took further advice on investment strategy and decided to liquidate virtually all stock market holdings. This action was taken in late May 2014 and a gain in excess of £780,000 was realised. Until the new Hospice project is completed, funds will be held in cash or cash equivalent investments, with high regard to capital security and institutional spread. This is likely to have some negative impact on investment income, but this will be offset to some extent by the increase in funds being held as the Capital Appeal progresses, together with expectation that interest rates will rise in the near future.

DIRECTORS' ANNUAL REPORT & STRATEGIC REPORT (continued)

6. Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Annual Report, Strategic Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 presume that the charitable company will continue in business.

The Directors are responsible for keeping proper 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 and the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

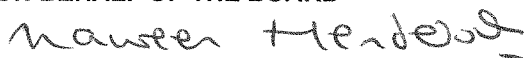
- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

7. Auditors

A resolution to re-appoint Wylie & Bisset LLP as auditors to the company will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD



MAUREEN HENDERSON OBE
Chairman

12 September 2014

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND MEMBERS OF THE PRINCE AND PRINCESS OF WALES HOSPICE

We have audited the financial statements of The Prince and Princess of Wales Hospice for the year ended 31 March 2014, which comprise the Consolidated Income and Expenditure Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Charity Statements of Financial Activities and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 11, the directors' (who are also the trustees of the charity under charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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.

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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Annual Report and Strategic Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent charitable company's affairs as at 31 March 2014, and of the group and parent charitable company's incoming resources and application of resources, including the group and the parent's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Annual Report and Strategic Report for the year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND MEMBERS OF
THE PRINCE AND PRINCESS OF WALES HOSPICE (Continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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

Allister Gray

Allister Gray
Senior Statutory Auditor
For and on behalf of Wylie & Bisset LLP

12 September 2014

168 Bath Street
Glasgow
G2 4TP

Wylie & Bisset LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	2014 £	2013 £
Expenditure:			
Staff costs	5	3,599,732	3,506,386
Depreciation		290,295	403,411
Other charitable expenses	6	879,292	766,693
Trading expenses		377,949	364,645
Lottery expenses		380,444	371,461
		<hr/>	<hr/>
Total expenditure		5,527,712	5,412,596
Operating income:			
Trading income		1,230,506	1,170,927
Lottery income		866,760	821,024
Donations		520,752	533,471
Scottish Government Grant		51,000	-
Fundraising Events		951,986	865,472
Other	3	45,760	46,654
Income from investments	4	168,715	227,237
Gain/(loss) on sale of investments		57,422	(48,470)
Decrease/(increase) in investment provision		(35,024)	67,121
		<hr/>	<hr/>
NHS		2,041,846	1,829,831
		<hr/>	<hr/>
Total operating income		5,899,723	5,513,267
		<hr/>	<hr/>
Surplus on operating activities		372,011	100,671
Other income			
Legacies		262,395	507,443
Capital Appeal		375,431	397,076
		<hr/>	<hr/>
Result for year	Page 21	£ 1,009,837	£ 1,005,190
		<hr/> <hr/>	<hr/> <hr/>

Continuing operations

None of the group's activities was acquired or discontinued during the current and previous year.

Total recognised surpluses and deficits

Neither the company nor the group has recognised surpluses or deficits other than those for the current and previous year.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

	Notes	£	2014 £	2013 £
Fixed assets:				
Tangible assets	7		4,751,000	4,842,111
Investments	8		5,575,977	3,609,239
			<hr/>	<hr/>
			10,326,977	8,451,350
Current assets:				
Debtors	9	519,777		267,843
Short term deposits		3,796,952		4,441,416
Cash on hand		4,056		1,923
		<hr/>		<hr/>
Total current assets		4,320,785		4,711,182
Creditors: amounts falling due within one year	10	998,101		522,708
		<hr/>		<hr/>
Net current assets			3,322,684	4,188,474
			<hr/>	<hr/>
Total assets less current liabilities			13,649,661	12,639,824
			<hr/> <hr/>	<hr/> <hr/>
Funds of the group:				
Restricted income funds				
General			47,135	24,408
Capital Appeal Fund			202,164	-
Unrestricted income funds				
Designated income funds				
Fixed asset reserve			4,751,000	4,842,111
Service development reserves				
New Hospice development project			6,202,292	5,352,292
Other service developments			50,000	50,000
Other unrestricted funds				
General reserve			2,397,070	2,371,013
			<hr/>	<hr/>
Total accumulated funds	Page 21		13,649,661	12,639,824
			<hr/> <hr/>	<hr/> <hr/>

The accounts were approved by the board on 12 September 2014 and signed on its behalf by



MAUREEN HENDERSON
Chairman



DAVID HUNTER
Director

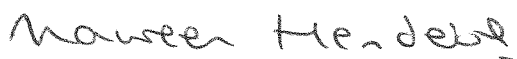
Company Registered No. SC 084008

The Statement of Hospice Reserves and notes on pages 21 to 30 form part of these accounts.

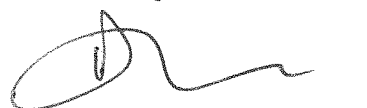
CHARITY BALANCE SHEET AS AT 31 MARCH 2014

	Notes	£	2014 £	2013 £
Fixed assets:				
Tangible assets	7		3,732,949	3,997,327
Investments	8		5,576,978	3,610,240
			<u>9,309,927</u>	<u>7,607,567</u>
Current assets:				
Debtors	9	2,400,352		1,194,346
Short term deposits		2,901,181		4,327,836
Cash on hand		3,556		1,423
		<u>5,305,089</u>		<u>5,523,605</u>
Total current assets				
Creditors: amounts falling due within one year	10	965,355		491,348
		<u></u>		<u></u>
Net current assets			4,339,734	5,032,257
			<u></u>	<u></u>
Total assets less current liabilities			13,649,661	12,639,824
			<u></u>	<u></u>
Funds of the company:				
Restricted income funds				
General			47,135	24,408
Capital Appeal Fund			202,164	-
Unrestricted income funds				
Designated income funds				
Fixed asset reserve			4,751,000	4,842,111
Service development reserve				
New Hospice development project			6,202,292	5,352,292
Other service extension			50,000	50,000
Other Unrestricted funds				
General reserve			2,397,070	2,371,013
			<u></u>	<u></u>
Total accumulated funds	Page 21		13,649,661	12,639,824
			<u></u>	<u></u>

The accounts were approved by the board on 12 September 2014 and signed on its behalf by



MAUREEN HENDERSON
Chairman



DAVID HUNTER
Director

Company Registered No. SC 084008

The Statement of Hospice Reserves and notes on pages 21 to 30 form part of these accounts.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

	£	2014 £	2013 £	
Surplus on operating activities		372,011	100,671	
Legacy income		262,395	507,443	
Capital Appeal		375,431	397,076	
Income from investments		(168,715)	(227,237)	
(Gain) Loss on sale of investments		(57,422)	48,470	
Investment provision		35,024	(67,121)	
Depreciation		290,295	403,411	
(Increase) decrease in debtors		(251,934)	29,654	
Increase (decrease) in creditors		475,393	(397,251)	
Net cash inflow from operating activities		<u>1,332,478</u>	<u>795,116</u>	
Net cash inflow from return on investments and servicing of finance				
Investment income received		168,715	227,237	
		<u>1,501,193</u>	<u>1,022,353</u>	
Net cash (outflow) from investing activities				
Purchase of tangible fixed assets	(199,184)		(741,904)	
Acquisition of investments	(3,560,078)		(1,811,155)	
Proceeds on sale of investments	1,615,738		2,240,807	
		<u>(2,143,524)</u>	<u>(312,252)</u>	
(Decrease) increase in cash		<u>(642,331)</u>	<u>710,101</u>	
 Analysis of changes in net funds				
	At 1 April 2013	Other changes	Cash flows	At 31 March 2014
	£	£	£	£
Cash in hand and at bank	4,443,339	-	642,331	3,801,008
	<u>4,443,339</u>	<u>-</u>	<u>642,331</u>	<u>3,801,008</u>

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2014**

	Restricted Funds		Unrestricted Funds					2014 Total	2013 Total
	General	Capital Devt. Project	Designated Funds			Trading Subsidiary	General Reserve		
			Capital Devt. Project	For Other Service Extension	Fixed Asset Reserve				
	£	£	£	£	£	£	£	£	
Incoming Resources									
Incoming resources from charitable activities									
NHS	-	-	-	-	-	-	2,041,846	2,041,846	1,829,831
Grants Received	51,000	-	-	-	-	-	-	51,000	-
Incoming resources from generated funds									
Donations	31,424	427,309	-	-	-	-	489,328	948,061	816,106
Fund raising events	-	123,508	-	-	-	-	1,370,362	1,493,870	1,441,548
Lottery	-	-	-	-	-	-	866,760	866,760	821,024
Retail Sales	-	-	-	-	-	1,230,506	-	1,230,506	1,170,927
Investments	-	-	-	-	-	107	168,608	168,715	227,237
Other	-	-	-	-	-	-	45,760	45,760	46,654
Legacies	-	-	-	-	-	-	262,395	262,395	507,443
Total incoming resources	82,424	550,817	-	-	-	1,230,613	5,245,059	7,108,913	6,860,770
Resources Expended									
Charitable Activities									
Staff Costs	59,388	-	-	-	-	-	2,750,622	2,810,010	2,802,850
Depreciation	-	-	-	-	290,295	-	-	290,295	403,411
Other Expenses	-	-	-	-	-	-	740,811	740,811	643,480
	59,388	-	-	-	290,295	-	3,491,433	3,841,116	3,849,741
Costs of Generating Funds									
Staff Costs	-	-	-	-	-	402,728	369,813	772,541	686,683
Lottery	-	-	-	-	-	-	380,444	380,444	371,461
Other Expenses	-	175,386	-	-	-	421,179	503,388	1,099,953	939,386
	-	175,386	-	-	-	823,907	1,253,645	2,252,938	1,997,530

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2014**

<i>Continued</i>	Restricted Funds		Unrestricted Funds					2014 Total	2013 Total
	General	Capital Devt. Project	Designated Funds		Trading Subsidiary	General Reserve			
	£	£	Capital Devt. Project £	For Other Service Extension £	Fixed Asset Reserve £	£	£	£	
Governance Costs									
Staff Costs	-	-	-	-	-	-	17,182	17,182	16,853
Other Expenses	-	-	-	-	-	5,615	4,623	10,238	10,107
	-	-	-	-	-	5,615	21,805	26,960	26,960
Total resources expended	59,388	175,386	-	-	290,295	829,522	4,766,883	6,121,474	5,874,231
Net incoming (outgoing) resources before transfers	23,036	375,431	-	-	(290,295)	401,091	478,176	987,439	986,539
Gains (losses) on investments									
Realised on sale	-	-	-	-	-	-	57,422	57,422	(48,470)
Provision for losses	-	-	-	-	-	-	(35,024)	(35,024)	67,121
	23,036	375,431	-	-	(290,295)	401,091	500,574	1,009,837	1,005,190
Transfers between Funds									
Trading company donation	-	-	-	-	-	(401,091)	401,091	-	-
Capital expenditure	(309)	(173,267)	-	-	199,184	-	(25,608)	-	-
Designations	-	-	850,000	-	-	-	(850,000)	-	-
	22,727	202,164	850,000	-	(9,111)	-	26,057	1,009,837	1,005,190
Brought Forward	24,408	-	5,352,292	50,000	4,842,111	-	2,371,013	12,639,824	11,634,634
Carried Forward	47,135	202,164	6,202,292	50,000	4,751,000	-	2,397,070	13,649,661	12,639,824

The Statement of Hospice Reserves and notes on pages 21 to 30 form part of these accounts.

**CHARITY STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2014**

	Restricted Funds	Unrestricted Funds	2014 Total	2013 Total
	£	£	£	£
<i>Incoming Resources</i>				
Incoming resources from charitable activities				
NHS	-	2,041,846	2,041,846	1,829,831
Grants Received	51,000	-	51,000	-
Incoming resources from generated funds				
Donations	458,733	489,328	948,061	816,106
Hospice Enterprises Ltd	-	401,091	401,091	387,002
Fund raising events	123,508	1,370,362	1,493,870	1,441,548
Lottery	-	866,760	866,760	821,024
Investments	-	168,608	168,608	226,863
Other	-	45,760	45,760	46,654
Legacies	-	262,395	262,395	507,443
Total incoming resources	633,241	5,646,150	6,279,391	6,076,471
<i>Resources Expended</i>				
Charitable Activities				
Staff Costs	59,388	2,750,622	2,810,010	2,802,850
Depreciation	-	290,295	290,295	403,411
Other Expenses	-	740,811	740,811	643,480
	59,388	3,781,728	3,841,116	3,689,480
Costs of Generating Funds				
Staff Costs	-	369,813	369,813	314,612
Lottery	-	380,444	380,444	371,461
Other Expenses	175,386	503,388	678,774	532,643
	175,386	1,253,645	1,429,031	1,218,716
Governance Costs				
Staff Costs	-	17,182	17,182	16,853
Other Expenses	-	4,623	4,623	4,622
	-	21,805	21,805	26,552
Total resources expended	234,774	5,057,178	5,291,952	5,089,932
Net incoming (outgoing) resources before transfers	398,467	588,972	987,439	986,539
Gains(losses) on investments				
Realised on sale	-	57,422	57,422	(48,470)
Provision for losses	-	(35,024)	(35,024)	67,121
	398,467	611,370	1,009,837	1,005,190
Transfers between Funds				
Capital expenditure	(173,576)	173,576	-	-
	224,891	784,946	1,009,837	1,005,190
Brought Forward	24,408	12,615,416	12,639,824	11,634,634
Carried Forward	249,299	13,400,362	13,649,661	12,639,824

The Statement of Hospice Reserves and notes on pages 21 to 30 form part of these accounts.

STATEMENT OF HOSPICE RESERVES

Group & Company	Restricted Funds				Unrestricted Funds				Total Funds
	General				Designated funds				
	Facilities Development	Learning Disability Project	Other Ongoing Activities	Capital Development Project	Capital Development Project	For Other Service Extension	Fixed Asset Reserve	General Reserve	
£	£	£	£	£	£	£	£	£	
At 1 April 2013	3,697	18,542	2,169	-	5,352,292	50,000	4,842,111	2,371,013	12,639,824
Year ended 31 March 2014:									
Operating income	4,745	51,000	26,679	-	-	-	-	5,817,299	5,899,723
Operating costs	-	(43,972)	(15,416)	-	-	-	(290,295)	(5,178,029)	(5,527,712)
Operating surplus	4,745	7,028	11,263	-	-	-	(290,295)	639,270	372,011
Legacies	-	-	-	-	-	-	-	262,395	262,395
Capital Appeal	-	-	-	375,431	-	-	-	-	375,431
Transfers:	4,745	7,028	11,263	375,431	-	-	(290,295)	901,665	1,009,837
Capital Expenditure	(309)	-	-	(173,267)	-	-	199,184	(25,608)	-
Designations In	-	-	-	-	850,000	-	-	-	850,000
Designations Out	-	-	-	-	-	-	-	(850,000)	(850,000)
Net movement	4,436	7,028	11,263	202,164	850,000	-	(9,111)	26,057	1,009,837
At 31 March 2014	8,133	25,570	13,432	202,164	6,202,292	50,000	4,751,000	2,397,070	13,649,661

STATEMENT OF HOSPICE RESERVES (Continued)**Reserve Policies and Analysis**

As explained in the Directors' Report, the Hospice has largely completed the design of a new hospice facility to be built on the south side of Glasgow and which will replace the present Hospice building on Carlton Place. The Directors' policies for reserve retention reflect the substantial forthcoming demands of the development project and related service developments as follows:

Fund accounting

Restricted funds are subject to restrictions on their expenditure imposed by the donor or grantor or through the terms of an appeal.

Unrestricted funds are available for use at the discretion of the Directors in furtherance of the general objectives of the Hospice.

Designated funds are unrestricted funds earmarked by the Directors for particular purposes.

Restricted Funds

As explained below, the Hospice receives funding from a variety of sources which is provided under specific requirements related to its expenditure, whether capital or revenue. When such funding has been received in advance of the related expenditure, the resulting reserves are categorised as Restricted Reserves.

- During the year, £4,745 was received towards the cost of equipment improvements to add to £3,697 brought forward from 2012-13. Of this, £309 was spent, leaving a balance of £8,133 to be carried forward to the coming financial year.
- A further grant of £51,000 was received from the Scottish Government towards the cost of employing a specialist nurse to work with patients with learning disabilities who often have very complex palliative care needs. Expenditure on this project totalled £43,972, of which £18,542 related to funding from earlier years. This leaves a balance of £25,570 which will be utilised in 2014-15.
- During the year, £26,679 was received to support a number of staff posts and project costs, principally related to work on widening public access to Hospice services, and support for family services. Of this, £15,416 was spent during the year, leaving a balance of £11,263 to be added to the sum of £2,169 brought forward from 2012-13. The total residual of £13,432 is available to fund suitable projects as they arise in the coming year.

Development Appeal

Present accounting treatment under the Statement of Recommended Practice for Charity Accounts 2005, to which the Hospice's accounts must presently comply in the absence of conflict with other statutory regulation, requires that income (less costs) related to the Development Appeal is recognised in the Income and Expenditure and related accounts of the Hospice in the period in which it arises, and income recognition cannot be deferred until the incurrence of the related expenditures. This means that, in the case of a substantial and extended appeal, the accounts will reflect significant reserves related to that appeal for some time before the planned capital expenditure is incurred. Indeed, the achievement of such reserves will be a precondition of a decision to incur the principal cost of construction of the new facility. The reserves arising from such a development appeal will be treated as Restricted Reserves for the purpose of funding the future capital development.

During the year, a surplus of £375,431 was raised from Capital Appeal activity. This represents cash received less expenditures necessary for the running of the Appeal, and does not include a very substantial sum in other commitments which will be received during the course of the Appeal. During the year, further expenditure of £173,267 was incurred to largely complete the design process for the new Hospice. This sum was fully allocated against the funds raised from the Appeal, leaving a balance on the Restricted Capital Appeal fund of £202,164 to be carried forward against future expenditure on the project.

STATEMENT OF HOSPICE RESERVES (Continued)***Unrestricted Funds - Designated Funds***

Designation of funds is based on the overall group position. Details of the designated funds are as follows:

Designated Service Development Reserve – New Hospice Development Project

A necessary part of a successful capital fundraising appeal is the underlying commitment of the organisation to the project, financially represented by its willingness to commit a significant portion of its reserves to the project. The likely total capital cost of the Hospice's Development Project, including inflation and the costs of fundraising over a three year period, is still expected to be of the order of £21 million. In 2011-12, the Hospice Board committed a sum of £3 million of Reserves to that purpose, and a further £2.8 million was designated towards the project in 2012-13. The Board have decided that the majority of the surplus on unrestricted funds arising in 2013-14 should also be similarly designated, resulting in the transfer of an additional £850,000 to the project. These reserves are therefore now regarded as unavailable for any other purpose. At 31 March 2014, costs of £1,018,051 had been incurred on design of the new facility. Of this, £570,343 has been charged against the Restricted Capital Development Project Reserve, and the balance to the Designated Capital Development Project Reserve. This leaves a balance of £6,202,292 to fund future expenditure.

Designated Service Development Reserve – Other Service Extension

The Hospice is also involved in a wider range of activities directed towards the widening of access to and to the extension of the scope and size of its service provision. Specific additional funding is usually sought and obtained for such projects, but a balance of £50,000 has been retained to allow for any imminent unfunded requirements.

Designated Fixed Asset Reserve

The funds included in this Reserve reflect the present book value of the fixed asset facilities which are required by the Hospice to enable it to carry out or fund its charitable activities. In accounting terminology, this is stated to be the future cost of depreciation of these assets, but the main significance of the Reserve is that it represents reserves which are illiquid and are not available for expenditure on the charitable activities of the Hospice.

Other Unrestricted Funds***General Reserve***

To provide security in the event of a temporary reduction in income levels, it is necessary to retain a level of General Reserves such that the Directors, service users and staff have confidence that the Hospice will be able to continue its charitable work despite any future financial challenges which may arise. In the context of the other requirements of the Hospice, explained above, the Directors have decided that a present level of General Reserve equivalent to around 6 months of ordinary expenditure is prudent to ensure the Hospice's future viability and enable it to continue to provide an appropriate and free service to its patients.

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014****1. Status**

The company is limited by guarantee and does not have a share capital. The Registrar of Companies has authorised the company to dispense with the word "Limited". The liability of each member to contribute to the assets of the company is limited to £5 and on 31 March 2014 the company had 50 (2013 - 50) members. The number of members is limited to 500. The company is not liable to taxation because of its charitable status.

2. Accounting policies

The accounts are prepared under the historic cost convention in accordance with applicable Accounting Standards including the Statement of Recommended Practice (SORP) for charity accounts (so far as applicable to companies) and the Companies Act 2006. To fully comply with the SORP, investments should be included at market value at the balance sheet date. The Directors do not consider that this would give a true and fair view and accordingly investments are included at the lower of historic cost and market value at the balance sheet date.

The accounts consolidate the results of the wholly owned subsidiary companies Hospice Enterprises Limited and Hospice Developments Limited.

The parent charitable company is exempt from the requirement to file an individual profit and loss account under section 408 of the Companies Act 2006.

Income

All incoming resources are included in the Consolidated Income and Expenditure Account and Consolidated Statement of Financial Activities when the Hospice is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Income from Fund Raising events operated by the group is credited to Income and Expenditure account in the period in which the event took place.
- Gift Aid and similar tax recoveries are credited to the income heading which gave rise to the tax recovery.
- Investment income is included when receivable.
- Material donations of assets, services or facilities are included at the value to the Hospice where this can be reasonably quantified. The value of services provided by volunteers is not included in the accounts.
- Capital grants and capital appeal contributions are credited through the Consolidated Income and Expenditure Account to a Restricted fund until the expenditure is incurred.

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014 (Continued)**

2. **Accounting policies** (continued)

Expenditure and liabilities

Expenditure is included on an accruals basis as a liability is incurred, and includes any VAT which cannot be fully recovered, reported as part of the expenditure to which it relates.

Expenditure is allocated to direct charitable, fundraising and publicity and management and administration on an actual basis as far as possible. 10% of finance and administration costs are attributed to governance.

Depreciation

Depreciation is provided on fixed assets as follows:

Heritable property	2% p.a. on a straight line basis
Property refurbishment	20% p.a. on a straight line basis
Equipment	25% p.a. on a straight line basis
Motor vehicles	25% p.a. on a straight line basis
Ambulances	12.5% p.a. on a straight line basis
Fixtures and fittings in leased premises	over the period of the lease (from 2 to 15 years)

Depreciation is not provided on fixed assets until a project is complete.

Investments

Investments are stated at the lower of cost or market value. No account is taken of accruing gains or unrealised appreciation.

Pension schemes

The company operates a defined contribution pension scheme which requires contributions to be made to a separately administered fund. Employer's contributions are charged to the Consolidated Income and Expenditure Account in the period in which they become due. In addition, staff who are eligible are members of the National Health Service Superannuation Scheme for Scotland. This is a multi-employer defined benefit scheme. The Hospice is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and hence this is accounted for as though a defined contribution scheme as per above.

Taxation

The company has charitable status for tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received, to the extent that such income or gains are applied to exclusively charitable purposes. The trading subsidiary is subject to Corporation Tax, but this is relieved by the transfer of all trading surpluses to the Hospice.

3. **Other income**

	2014	2013
	£	£
Student education	9,118	9,796
Medical certificates	8,807	10,066
Kitchen and café income	27,835	26,792
	<hr/>	<hr/>
	45,760	46,654
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014 (Continued)**

4. Income from investments	2014	2013
	£	£
Dividend income	116,160	132,172
Interest from short term deposits	52,555	95,065
	<hr/>	<hr/>
	168,715	227,237
	<hr/> <hr/>	<hr/> <hr/>
5. Staff costs	2014	2013
	£	£
Salaries	3,141,677	3,071,454
Social security costs	251,385	238,500
Pension scheme costs	206,670	196,432
	<hr/>	<hr/>
	3,599,732	3,506,386
	<hr/> <hr/>	<hr/> <hr/>

None of the directors received any remuneration or expenses during the year.

The average weekly number of persons employed (FTE) during the year was 122 (2013 - 115).

Senior staff remuneration included employees earning within the following bands:

	2014	2013
£70,000 - £ 80,000	-	1
£90,000 - £100,000	1	1

Pension contributions are paid for these members of staff.

6. Other expenses	2014	2013
	£	£
Included in other expenses are:		
Auditor's remuneration: audit services	4,623	4,623
other services	14,250	9,965
	<hr/>	<hr/>

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014 (Continued)**

7. Fixed assets				
<i>Group</i>	Heritable property £	Equip. and vehicles £	Capital work-in progress £	Total £
Cost:				
At 1 April 2013	6,331,101	1,184,276	844,784	8,360,161
Additions	-	25,917	173,267	199,184
Disposals	-	(29,687)	-	(29,687)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	6,331,101	1,180,506	1,018,051	8,529,658
Depreciation:				
At 1 April 2013	2,558,089	959,961	-	3,518,050
Provided during year	193,686	96,609	-	290,295
Disposals	-	(29,687)	-	(29,687)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	2,751,775	1,026,883	-	3,778,658
Net book value:				
At 31 March 2014	2,751,776	153,623	1,018,051	4,751,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2013	3,773,012	224,315	844,784	4,842,111
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Company</i>				
Cost:				
At 1 April 2013	6,331,101	1,184,276	-	7,515,377
Additions	-	25,917	-	25,917
Disposals	-	(29,687)	-	(29,687)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	6,331,101	1,180,506	-	7,511,607
Depreciation:				
At 1 April 2013	2,558,089	959,961	-	3,518,050
Provided during year	193,686	96,609	-	290,295
Disposals	-	(29,687)	-	(29,687)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	2,751,775	1,026,883	-	3,778,658
Net book value:				
At 31 March 2014	2,751,776	153,623	-	3,732,949
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2013	3,773,012	224,315	-	3,997,327
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Hospice has a contingent liability, linked to RPI, until 2022 to pay a sum to Glasgow City Council in the event of the former leasehold property at 71/73 Carlton Place ceasing to be used as Hospice premises and the Hospice not relocating within the City boundary. At 31 March 2014, this sum was £143,000 (2013 £140,000).

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014 (Continued)**

8. Investments	2014	2013
<i>Group & Company</i>	£	£
Listed investments at cost:		
At 1 April 2013 (2012)	3,650,574	4,128,696
Additions	3,560,078	1,811,155
Disposals	(1,558,316)	(2,289,277)
	<hr/>	<hr/>
At 31 March 2014 (2013)	5,652,336	3,650,574
	<hr/>	<hr/>
Provision for losses on listed investments:		
At 1 April 2013 (2012)	41,335	108,456
Movement in year	35,024	(67,121)
	<hr/>	<hr/>
At 31 March 2014 (2013)	76,359	41,335
	<hr/>	<hr/>
Net book value at 31 March 2014	5,575,977	3,609,239
	<hr/>	<hr/>
MV £6,339,957 (2013 £4,386,522)		
 <i>Company</i>		
Unlisted investments at cost:		
At 1 April 2013 (2012)	1,001	1,001
Additions	-	-
	<hr/>	<hr/>
At 31 March 2014 (2013)	1,001	1,001
	<hr/>	<hr/>
Total investments	5,576,978	3,610,240
	<hr/> <hr/>	<hr/> <hr/>

The company holds all the shares of Hospice Enterprises Limited which is registered in Scotland. This company was formed to carry out fund raising activities for the Prince and Princess of Wales Hospice from 1 April 1996. In November 2011, the Hospice formed another wholly owned subsidiary company, Hospice Developments Limited, to organise and oversee the development of new and replacement Hospice facilities.

Hospice Enterprises Limited made a trading profit of £401,091 in 2013-14 (2012-13 £387,002), all of which was gifted to the parent charity. The company therefore made neither a profit or loss during the year (2012-13 £nil). At 31 March 2014, it had net assets of £1,000 (2013 £1,000).

Hospice Developments Limited made neither a profit or a loss in 2013-14 (2012-13 £nil) All its expenditure on the new Hospice project has been treated as capital work-in-progress. At 31 March 2014, it had net assets of £1 (2013 £1).

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014 (Continued)**

9. Debtors

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£	£	£	£
Event income receivable	155,982	26,116	147,178	15,413
Income tax recoverable	75,423	63,359	75,423	63,359
Other debtors and prepayments	288,372	179,368	205,834	97,444
Hospice Enterprises Limited	-	-	748,126	173,346
Hospice Developments Limited	-	-	1,223,791	844,784
	<hr/>	<hr/>	<hr/>	<hr/>
	519,777	267,843	2,400,352	1,194,346
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10. Creditors

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£	£	£	£
Sundry creditors & accrued charges	870,131	396,939	837,385	365,579
Butterfly Project				
– Restricted Funds in trust (Note 11)	56,196	59,222	56,196	59,222
Taxes & social security	71,774	66,547	71,774	66,547
	<hr/>	<hr/>	<hr/>	<hr/>
	998,101	522,708	965,355	491,348
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

11. Butterfly Project

In collaboration with Ardgowan and St. Vincent's Hospices, the Hospice has been successful in being awarded a grant award of £371,624 from the Big Lottery towards the costs of a project to enhance Child Bereavement Services in the areas served by the three hospices. Known as the "Butterfly Project", this is a five year joint venture which commenced in November 2009. Each hospice has committed to contribute £5,000 annually to the project.

Although, for administrative convenience, project funding is received and administered by the Hospice, such funds are restricted and held in trust for the project, and are therefore not included within its own funds. The Hospice's contributions to the project are included in Other Charitable Expenses.

Project Income and Expenditure was as follows:

	2013-14	2012-13
	£	£
Restricted Funds received from Big Lottery	76,230	73,603
Hospice funding	15,000	15,000
	<hr/>	<hr/>
Expenditure incurred	91,230	88,603
	94,256	69,172
	<hr/>	<hr/>
Income & Expenditure (deficit) surplus	(3,026)	19,431
Brought Forward	59,222	39,791
	<hr/>	<hr/>
Restricted Funds held in trust by the Hospice	56,196	59,222
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014 (Continued)**

12. Capital Commitments

	2014	2013
	£	£
Committed at 31 March	240,000	645,000
	<u>240,000</u>	<u>645,000</u>

Commitments are in respect of professional fee contracts related to the New Hospice development.

13. Pensions

Staff who are eligible are members of the defined benefit National Health Service Superannuation Scheme for Scotland. This is a multi-employer defined benefit scheme. The Hospice is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and hence this is accounted for as though a defined contribution scheme.

The Hospice currently contributes 13.5% of an employee's basic salary and enhancements which will result in an annual commitment of approximately £ 141,000 at year-end rates and membership (2013 £124,000). The pension costs charged to the income and expenditure account of £125,456 (2013 £113,668) are calculated by the actuaries so as to spread the cost of pensions over the employees' working lives with the company.

The group operates a defined contribution group personal pension plan under arrangements with an independent insurance company. The company contributes between 6% and 13.5% of an employee's basic salary, resulting in an annual commitment of approximately £ 119,000 at year-end rates and membership (2013 £75,000). Pension costs arising and charged to the Income and Expenditure Account in respect of this scheme totalled £81,214 (2013 £82,764).

14. Related party transactions

The only related parties, with which the Hospice has transacted during the year, are the company's subsidiary companies, Hospice Enterprises Limited and Hospice Developments Limited. All trading surpluses of Hospice Enterprises Limited have been paid to the company in the form of donations. Hospice Developments Limited has made neither a profit nor a loss since incorporation.

THE PRINCE AND PRINCESS OF WALES HOSPICE

**FIVE YEAR SUMMARY OF ACCOUNTS
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS**

	2014	2013	2012	2011	2010
	£	£	£	£	£
Expenditure:					
Staff costs	3,599,732	3,506,386	3,439,147	3,306,048	3,078,837
Depreciation	290,295	403,411	379,326	328,922	295,190
Other charitable expenses	879,292	766,693	624,038	701,168	699,854
Trading expenses	377,949	364,645	306,537	271,420	278,965
Lottery expenses	380,444	371,461	342,105	325,036	328,039
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditure	5,527,712	5,412,596	4,932,594	4,680,885	4,169,718
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating income:					
Trading company income	1,230,506	1,170,927	973,570	885,498	880,914
Lottery income	866,760	821,024	782,422	756,176	747,349
Donations	520,752	533,471	549,624	568,991	539,490
Fund Raising Events	951,986	865,472	890,865	822,770	877,801
Other	45,760	46,654	52,140	50,470	63,080
Investment income	168,715	227,237	266,260	195,631	132,983
(Loss)/gain on investments	22,398	18,651	(89,257)	14,155	129,109
Grants received	51,000	-	50,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,857,877	3,683,436	3,475,624	3,293,691	3,370,726
NHS	2,041,846	1,829,831	1,734,446	1,782,795	1,607,240
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating income	5,899,723	5,513,267	5,210,070	5,076,486	4,977,966
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus on operations	372,011	100,671	118,917	143,892	297,081
Legacies	262,395	507,433	318,104	191,477	687,269
Capital Appeal	375,431	397,076	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus for year	£ 1,009,837	£ 1,005,190	£ 437,021	£ 335,369	£ 984,350
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Number of staff (FTE)	122	115	114	111	107

THE PRINCE AND PRINCESS OF WALES HOSPICE

FIVE YEAR SUMMARY OF ACCOUNTS
CONSOLIDATED BALANCE SHEETS

	2014	2013	2012	2011	2010
	£	£	£	£	£
Tangible assets:					
Fixed assets	4,751,000	4,842,111	4,503,618	4,325,950	4,484,340
Investments	5,575,977	3,609,239	4,020,240	4,017,131	1,938,658
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	10,326,977	8,451,350	8,523,858	8,343,081	6,422,998
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Current assets:					
Debtors	519,777	267,843	297,497	244,208	278,813
Short term deposits	3,796,952	4,441,416	3,732,674	3,262,415	4,730,222
Cash on hand	4,056	1,923	564	792	805
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,320,785	4,711,182	4,030,735	3,507,415	5,009,840
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Current liabilities:					
Sundry creditors	926,327	456,161	848,246	584,665	500,968
Loans	-	-	-	-	5,274
Taxes & Social Security	71,774	66,547	71,713	68,218	64,352
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	998,101	522,708	919,959	652,883	570,594
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net current assets	3,322,684	4,188,474	3,110,776	2,854,532	4,439,246
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	13,649,661	12,639,824	11,634,634	11,197,613	10,862,244
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accumulated funds					
Restricted income funds	47,135	24,408	62,891	144,786	120,067
Capital Appeal Fund	202,164	-	-	-	-
Unrestricted Funds					
Designated income funds					
Fixed asset reserve	4,751,000	4,842,111	4,503,618	4,484,340	4,635,138
Service Development					
New Hospice	6,202,292	5,352,292	2,731,960	-	-
Other Service	50,000	50,000	2,000,000	-	-
Other unrestricted funds:					
General Reserve	2,397,070	2,371,013	2,336,165	6,726,877	6,257,837
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	£ 13,649,661	£ 12,639,824	£ 11,634,634	£ 11,197,613	£ 10,862,244
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>