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Company Registered No. SC 084008
Charity Registration No. SC 012372

THE PRINCE AND PRINCESS OF WALES HOSPICE

REPORT AND ACCOUNTS

31 MARCH 2012



**The Prince & Princess
of Wales Hospice**

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THE PRINCE AND PRINCESS OF WALES HOSPICE

COMPANY INFORMATION

Directors

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

Dr William Anderson
Ronald Bowie
Surjit Chowdhary
Alan Dickson
David Hunter

Eleanor Martin
Brett Nicholls
Ian Reid
Professor Alan Rodger
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
22 St Enoch Square
Glasgow
G1 4DA

Solicitors

Lindsays
1 Royal Bank Place
Buchanan Street
Glasgow
G1 3AA

Auditors

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Stockbrokers

Barclays Wealth
Royal Exchange House
100 Queen Street
Glasgow
G1 3DL

Website

www.ppwh.org.uk

DIRECTORS' REPORT

The Directors submit their report and accounts for the year ended 31 March 2012. 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 Prince and Princess of Wales Hospice covers three Community Health Care Partnerships with responsibility for a population of approximately 343,000 people, serviced by around 85 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 staff and 700 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), formerly HDL(2003)18 (issued by the Scottish Executive in April 2003). 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' 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 two Directors who are presently service 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 a committee of Directors, including the Chairman of the Board, 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 2012 were as follows:

Maureen Henderson OBE (Chairman)

Phil McEwan (Vice – Chairman)

Dr William Anderson

Ronald Bowie

Surjit Chowdhary

Alan Dickson

David Hunter

Eleanor Martin

Louise Mitchell *Resigned 24 June 2011*

Brett Nicholls *Appointed 27 April 2011*

Ian Reid

Professor Alan Rodger

Alan Tomkins

DIRECTORS' 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. During the last year, the Hospice maintained its record of being awarded the highest grades possible by its regulators, with reports indicating no recommendations for improvement in patient or family care.

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. During the year, the Group helped oversee a major change in our medical staffing, as our senior consultant, an associate specialist and a senior doctor retired and were replaced by two consultants and an experienced specialty doctor.

Fundraising Governance

Shortly after the end of the financial year, the Board appointed one of its members to chair a new 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 has been joined by an independent co-opted member who has considerable relevant experience, and is attended by appropriate members of the senior management team and the capital appeal co-ordinator. The function of the Group will particularly be to monitor and support the activity of the capital appeal team and to report to the Board on a regular basis.

DIRECTORS' REPORT (continued)

3. Strategy, Objectives and Activities

Following a period of consultation and review, both internally and with a wide range of external stakeholders, the Hospice launched its Five Year Strategic Business Plan, "Vision and Values 2008-2013" in April 2008. A number of key principles were identified and set out:

- **Putting Patients and Families First**

To be guided at all times by our prime aim of putting patients and families at the centre of everything we do, delivering expert specialist palliative care to those who need it, regardless of social and cultural background, location, income or special needs.

- **Adhering to the Hospice Set of Trust Values and Philosophy**

To apply our purpose and philosophy to all of our dealings with each other in our daily work extending out to the wider community.

- **Consistent and Effective Leadership**

To ensure clear and consistent leadership across all Hospice activities via measurable educational and quality standards and support systems.

- **Change in Culture**

To establish 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.

- **Well Educated Workforce**

To ensure a comprehensive education and training programme for all staff and volunteers offering developmental opportunities for current staff.

- **Guided by Policy**

To devise and regularly review a comprehensive set of policies and procedures in keeping with local and national standards which will govern our work.

- **Modernising the Infrastructure**

To build a technical and managerial infrastructure that is suitable for modern, efficient organisation.

- **Robust Business Practice**

To develop accepted business practice for our administrative and accounting systems.

- **Financial Stability**

To address ongoing financial stability by building on our efficient and effective fundraising and marketing strategy, ensuring and increasing our sources of regular income.

- **Leaders in Research and Education**

To work towards recognition as a centre of excellence in delivering palliative care, educational programmes and producing robust research findings.

- **Integrated Working**

To ensure our services are developed in co-operation with local health care providers and local and national agencies with the purpose of maximising patient and family care packages.

- **Premises Fit for Purpose**

To ensure we operate from premises best suited to our planned level and range of services

DIRECTORS' REPORT (continued)

During the first three years of the strategy, key reports were published in Scotland with recommendations that have had significant impact on hospice services, particularly, NHS Scotland "Living and Dying Well" - 2008, NHS Scotland Quality Strategy 2010 and more recently, Living and Dying Well, Building on Progress-2011. We have reviewed our strategy in the context of these documents and continue to believe that it is entirely consistent with them, and the Greater Glasgow & Clyde Health Board Palliative Care Action Plan. Our Strategic Plan "Vision and Values" included an extensive plan of actions designed to ensure that our objectives would be achieved. By the end of year three, all of our strategic objectives had been achieved and 2011-12 was a year primarily of consolidation, but with some building on progress. As we approach 2013, we are again undertaking a major review of our clinical strategy, aiming to produce a new long-term document before the new year together with appropriate action plans.

As noted above, following annual inspection, for the third year in a row, HIS graded the service with top marks of 6 over all 5 categories in all respects of Quality and Governance, including quality of care and support and quality of environment.

To drive our strategic agenda and monitor our progress, a strategy steering group was set up ensuring involvement in the planning of all services through formation of working sub groups led by staff and including patients and carers.

The highlights of strategic achievements last year include:

- To raise awareness of the Hospice and its services

We held further open days each year for clinicians, students and the general public, highlighting the changing face of Hospice and Palliative Care and enabling the team to update individuals and groups on our developing services. In addition, we continue to deliver regular updates to clinical teams in their own environment, and to provide relevant work placements students and qualified clinical colleagues. This activity is a primary objective of the Education team whose further activity is reported below.

- Widening Access to Services

For some time now, the Hospice has devoted the efforts of a team towards working with our local Minority Ethnic Communities to ensure that our services are understood by these communities and are appropriately culturally sensitive. This work is now bearing fruit and has been widely recognised, both locally and nationally. Nurse-led drop-in clinics have been delivered in a Sikh Gurdwara (temple), a Hindu Mandir, and Islamic mosque and in an independent community centre. In some cases, advice provided at these clinics has led on to the provision of hospice services to members of the communities. The clinics have been supplemented by presentations and open days to further raise awareness of the services which the Hospice can offer. Training has been given to Hospice staff to better equip them to provide an appropriate and culturally sensitive service to all members of the community.

During 2011-12, the Hospice was supported by the Burdett Trust for Nurses to explore the need for and possibilities of providing improved access to palliative care to people with a learning disability. The work established that neither palliative care nor learning disability care teams feel adequately trained to support this group which is recognised as being one of the most socially excluded groups in Britain. The report on the work made a number of recommendations including the development of a pathway for the palliative care needs of individuals with learning disabilities, appropriate care plans, and the development of improved skills within their care teams. This plan was received very favourably by the Burdett Trust which has committed a further £25,000 to the project, and has further attracted direct grant support of £50,000 from the Scottish Government. This will enable the Hospice to appropriately staff the project whose work will be carried out in 2012-13.

- Family Support Services

The Butterfly Project is a collaborative project (funded by the Big Lottery) between three hospices that aims to establish the delivery of bereavement support to children and young people age 2-18 years. The second annual report to the Big Lottery indicated that the project had delivered bereavement care to 181 children and young people. As well as delivering counselling sessions both internally and externally to young people, the project team continued its development of excellent relationships with Glasgow schools, delivering awareness and support sessions to teachers. These initiatives have led to the greatly increased number of referrals, and it is now planned to extend this to nursery schools for the under 5's.

DIRECTORS' REPORT (continued)

The Family Support service offers pre and post bereavement support to patients and families, mainly through counselling and a monthly drop-in service. However, it is recognised that some family members experience "normal" grief which may require support, but not formal counselling, and plans are in hand to recruit and train a team of suitable volunteers who can supplement our existing service in this regard.

- Inpatient Clinical Developments

During the year, as noted above, the Hospice successfully managed the replacement of the majority of its medical team as a number of members took retirement at the end of long and highly contributory service to the Hospice. We were sorry to say goodbye to our Medical Director, Dr. Sheila McGettrick, Associate Specialist Dr. George Gray and GP Dr. Ian MacDonald. We wish them well for the future and are happy to welcome consultants Dr. Rachel Kemp and Dr. Alastair McKeown and Specialty Doctor Clare Shott in their stead. A further part-time Specialty Doctor will join the team shortly.

With both medical and nursing teams increasing their skills, the Hospice has successfully cared for an increasing number of patients requiring complex intervention where, previously, such patients would have required to be cared for in an acute hospital. This is to the significant benefit of patients and families, as well as relieving pressure on NHS resources.

The Hospice has recently been awarded a grant from the St. James Place Foundation to pilot the use of guided ultrasound paracentesis which will *inter alia* allow relevant patients to be assessed and potentially cared for at home. This increases patient choice and may avoid hospital admission. A number of lead clinicians will visit the Hospice for training to widen the service as quickly as possible.

- Music & Poetry Therapy Project

During 2011-12, the Hospice has been funded to pilot a project of Music and Poetry Therapy for patients. During the first 6 months, 18 patients participated. A full evaluation of the project will be prepared at the end of its 12 month period to determine benefits and the feasibility of its continuation.

- Human Resources

The HR department ensures a consistent approach to supporting and managing staff across the Hospice to ensure that fair and equitable processes are in place across the whole range of people matters. Over the last year, we reviewed and updated our Personnel Policy and those on the use of Email and Internet Resources. We also added policies on the Use of Social Media and Dignity at Work.

As our medical team also work within the NHS environment, the HR team have been closely involved with NHS to support procedures for medical appraisal and revalidation of doctors.

Following last year's achievement of the Bronze Award in the Healthy Working Lives programme, the HR function is now leading the drive towards the Silver Award. In December 2011, the Hospice achieved the Investors in People Gold Award which was followed by a Quality Scotland Award for Excellence in 2012. The Hospice also ranked 5th in the Scotland's Best Workplaces Scheme.

- Education

In 2011-12, work continued to implement the education and training strategy across the workforce. The key learning themes applied were communication, personal and people development, health, safety and security, service improvement, equality and diversity, quality and effectiveness and hospice as a specialist palliative care unit. Over the year we again celebrated significant successes within our team. A further 10 staff successfully completed PPWH Leadership training, and 2 nurses completed post-graduate qualifications in Cancer & Palliative Care. 21 staff attending Fire Warden training, and 23 members of the clinical team received advance training on the new electronic patient record system.

DIRECTORS' REPORT (continued)

- Information Technology

During the year, the new electronic (paper-lite) patient record system was fully extended to most areas of patient care. This has provided the clinical teams with relevant clinical "windows", purpose-built and tailored for care within the Hospice and has hugely improved the whole business of patient record management. The Hospice is now recognised as a leader and adviser in the development of the system which is being adopted by most other Hospices in Scotland.

During the year, a review was carried out of all our principal IT hardware and a decision has been taken to replace and upgrade our existing server suite to improve efficiency and provide proper support for the future development of services across the Hospice.

- Volunteers

Volunteer services remain an integral and developing service within the Hospice. Over the year, the volunteer base increased from around 600 to over 700 with many new roles being developed. We have seen a welcome increase in the numbers of younger volunteers as well as many from minority ethnic groups. The increase in the number of our shop units has been supported by volunteer recruitment, particularly assisted by our network connections with employment support agencies. We have also been able to extend Ward support to 7 days and to add to the Hospice communications team. New volunteers will be recruited to take part in the extension of Family Support services to those with less complex needs.

Our teams of volunteers add enormously to the services which the Hospice can provide, both in quality and extent. We are very grateful to all who give of their time in this way.

- Fundraising

The success of our fundraising team allowed the Hospice to again return an operating surplus without taking into account any legacy income received. We continue to add an interesting and rewarding number of events to our activity while maintaining most of the major items which have provided well for us over the years. We have successfully freshened up some of these by adding new technology, such as the iBid system for silent auctions which has clearly provided a good return. The Hospice is well supported by a large number and wide range of celebrities who endorse our work, attend events and perform as guest speakers. To them, we are very grateful. The Hospice Lottery continues to increase steadily, with the number of weekly players now exceeding 15,000. As such, it is one of the most successful small lotteries in the country.

The fundraising environment remains a very challenging one, but our wide range of activities, and the strong and active support of the business and general community has allowed our efforts to remain fruitful, ensuring the continued financial health of the Hospice and our ability to develop and improve.

- Hospice Enterprises

Hospice Enterprises Ltd (HE) is the wholly owned trading subsidiary of the Hospice. It has two main functions, firstly to raise funds through retail and commercial activity, but it is also the public face of the Hospice in many communities. In 2011-12, HE opened two further shops, in Tollcross and Cambuslang, closing one (in Bridgeton). Cambuslang in particular has been a very successful addition and this was recently supplemented by a further shop in Shawlands which is busy enough to warrant 7 day opening. Our other shops traded well, with some showing a strong increase on 2010-11. During the year, we added a Retail Fundraiser to the management team, and increased significantly our income from purchased (rather than donated) goods. A web shop has been created. For the first year, the accounts included income from Gift Aid, and this has been growing steadily. The programme of refurbishments continued such that we now have only a few shops to upgrade. This will be completed when suitable forward lease arrangements are in place. The result for the year was a record for HE, and our thanks must go to all our customers and supporters, and particularly to the 300 or so volunteers who support the shop managers and who make our success possible.

DIRECTORS' REPORT (continued)

- Support Services

The support services team have maintained all of their services over the last year with the patient and family firmly at the centre of all their objectives. As part of our buildings improvement programme, we completed the refurbishment programme of a previously largely derelict area to provide new facilities for our family support services team and a safe and private space for children, young people and families. The catering department again achieved the Healthy Living Award by ensuring healthy food choices are available to staff, volunteers and visitors. 2 of the team leaders participated in the Hospice leadership programme. Our portering staff continue to assist Scottish Ambulance with the transfer of patients to and from the Hospice via our own ambulance. In 2011-12 there were 157 (2010-11: 145) transfers.

Future Strategy and Developments

As explained above, the Hospice is currently preparing an updated strategy document which will reflect the progress made since developing our 2008 Five Year Strategic Business Plan, "Vision and Values 2008-2013". With the early achievement of all objectives within that Plan, we re-addressed our strategy in 2010-11 identifying the requirement that the Hospice building and estates must complement our future vision, allowing flexibility. Following agreement by the management team and Board on this issue, a significant commitment was agreed to create a new building fit for the 21st century which would be suitable for the vision, development and delivery of clinical services in the future.

In addition, and in consideration of local needs and national legislation, the decision was taken to develop a needs-led service for young people aged 15 upwards. This service development is in keeping with the six national recommendations which have emerged from "Living and Dying Well, Building on Progress 2011", which requires that every child or young person in Scotland with a life-limiting or life threatening condition, regardless of race, religion, age or where they live, should have access to the sustainable, holistic, family-centred and high quality palliative care and support that they need.

When we last reported, work was in hand to identify a suitable site for the new building and to employ a team of professionals to provide an innovative and modern design. A number of potential sites in the south of Glasgow were considered, including a location within an area of Bellahouston Park which has been closed to the public and is now regarded as surplus to the requirement of Glasgow City Council which owns the ground. This is the location preferred by the Board for the new Hospice building and work is now in hand to complete the various formal processes required to allow the Council to make the land available and for the Hospice to consult locally and apply for the necessary planning and building consents. A design team has been appointed and, in conjunction with the management team and Board, and a representative group of senior clinicians, is working towards a design suitable for submission for planning consent.

The senior clinician group has also been researching and scoping the requirements of the needs-led service for young people aged 15 upwards. Although still in hand, this work has been used to inform the design team of additional facilities which may be required in the new building to accommodate this extension of services. However, it is likely that the services will require additions to all aspects of the present delivery, including home and day care.

Work has begun towards the launch of a Capital Appeal which is presently set to target £15 million for the project, in addition to £3 million to be provided from present Hospice reserves. This work includes the appointment of a Capital Appeal group consisting of a number of well connected independent supporters of substance under the chairmanship of Mr. Stuart Laing.

The Hospice has also revisited all areas of its governance in the light of this project. As reported above, two new groups have been created. Firstly, a new subsidiary company, Hospice Developments Ltd, was formed in late 2011 to take responsibility for the design and provision of the new facilities. The Board of this company, led by Mr. Jack Perry CBE, includes a number of independent Directors who have skills and experience relevant to the design and construction of a facility such as is proposed. The group reports regularly to the Board and is working closely with the design team to monitor its activity and direction. This will ensure that the new hospice will not only be a leading facility for hospice care, but will be cost effective and appropriate to its unique location within one of Glasgow's iconic city parks. Secondly, a Fundraising Governance Group was formed to monitor and support fundraising activity and to advise the Board. This group also has new independent membership with relevant skills and experience.

DIRECTORS' REPORT (continued)

The Hospice is adopting a prudent approach to this major project. Accordingly, its timescale will be determined by the success of our fundraising campaign. We have received enthusiastic offers of support from many quarters for which we are very grateful and which we will pursue. The project team have set a target timescale for completion within about 5 years, and we are optimistic that this can be achieved.

4. Financial Review**Principal Funding Sources**

In May 2012, following a process of consultation, Scottish Government document, NHS HDL(2003)18, which set out the basis for NHS funding of hospice activity in Scotland, was replaced by NHS CEL 12 (2012). The new document is more specific in relation to aspects of service, monitoring and quality measurement, but retains 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 2011-12, NHS Greater Glasgow and Clyde provided funding of £1,734,446 (2010-11 £1,782,795 including £105,000 for earlier years). NHS funding included an inflationary increase of 1% for the year. Adjusting each year's funding to properly allocate the retrospective payment, contributions by NHS Greater Glasgow and Clyde amounted to approximately 42% of the incurred costs of direct patient care in 2011-12 (2010-11 42%).

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. Nonetheless, it remains the view of the Board that present funding is some way short of the expectation expressed in NHS HDL(2003)18 and CEL 12 (2012). 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 now totals not less than £2.5 million annually and is rising as we extend the scope of our services to meet demand. In 2011-12, our funding requirement included around £289,000 (2010-11 £171,000) 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. 2011-12 was again a very successful year for our fundraising, but the continuing economic downturn makes the securing of our necessary funding 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 £600,000 per annum.

Result for the Year

This year's operating surplus of £118,917 reflects continuing investment in staff costs to develop patient services, and increased depreciation following the refurbishment of a previously derelict area of the building to house family support services. The operating result was also reduced by losses on investments reflecting weakness in the stockmarket over the year. However legacy income improved during the year, but, at £318,104, was still below its five year average. The Consolidated Income and Expenditure Account still shows an overall surplus of £437,021, although, of this, £50,000 is due to the necessary inclusion of a project grant from the Scottish Government, relating to the project, described above, to widen access to palliative care for those with learning disabilities. The expenditure on this project has been committed by the Hospice but will largely fall within the present financial year. Fundraising income, the Hospice shops and the Lottery all exceeded target, and other incomes held up well. The Board regard the financial result for the year as satisfactory, 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.

DIRECTORS' REPORT (continued)**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, a decision was taken to sell one of the Hospice's two investments in marketable structured loan notes. This realised slightly in excess of £1 million which was largely re-invested in two Absolute Return Funds. Since the end of the financial year, the other structured loan note reached maturity and was realised at par. The balance of funds was placed on revolving term deposits with principal UK banks or building societies. The Directors believe that the spread of these investments provides the Hospice with an appropriately balanced, but prudent investment structure.

5. Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Annual 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.

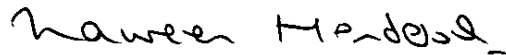
The Directors are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (continued)

6. 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

A handwritten signature in black ink, appearing to read 'Maureen Henderson', is written over the printed name.

MAUREEN HENDERSON OBE
Chairman

29 August 2012

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 2012, which comprise the Consolidated Income and Expenditure Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement 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 9, 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' 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 2012, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Annual 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

29 August 2012

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 2012**

	Notes	2012 £	2011 £
Expenditure:			
Staff costs	5	3,439,147	3,306,048
Depreciation		379,326	328,922
Other charitable expenses	6	624,038	701,168
Trading expenses		306,537	271,420
Lottery expenses		342,105	325,036
Total expenditure		5,091,153	4,932,594
Operating income:			
Trading income		973,570	885,498
Lottery income		782,422	756,176
Donations		549,624	568,991
Scottish Government Grant		50,000	-
Fundraising Events		890,865	822,770
Other	3	52,140	50,470
Income from investments	4	266,260	195,631
(Loss) Gain on sale of investments		(13,320)	6,732
(Increase) Decrease in investment provision		(75,937)	7,423
		3,475,624	3,293,691
NHS		1,734,446	1,782,795
Total operating income		5,210,070	5,076,486
Surplus on operating activities		118,917	143,892
Other income			
Legacies		318,104	191,477
Result for year	Page 21	£ 437,021	£ 335,369

Continuing operations

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

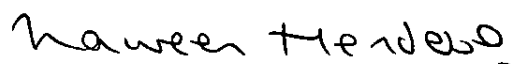
Total recognised surpluses and deficits

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 2012

	Notes	£	2012 £	2011 £
Fixed assets:				
Tangible assets	7		4,503,618	4,325,950
Investments	8		4,020,240	4,017,131
			8,523,858	8,343,081
Current assets:				
Debtors	9	297,497		244,208
Short term deposits		3,732,674		3,262,415
Cash on hand		564		792
Total current assets		4,030,735		3,507,415
Creditors: amounts falling due within one year	10	919,959		652,883
Net current assets			3,110,776	2,854,532
Total assets less current liabilities			11,634,634	11,197,613
Creditors: amounts falling due after more than one year	10		-	-
			11,634,634	11,197,613
Funds of the group:				
Restricted income funds			62,891	144,786
Designated income funds				
Fixed asset reserve			4,503,618	4,325,950
Service development reserves				
New Hospice development project			2,731,960	-
Other service developments			2,000,000	-
Unrestricted funds				
General reserve			2,336,165	6,726,877
Total accumulated funds	Page 21		11,634,634	11,197,613

The accounts were approved by the board on 29 August 2012 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 31 form part of these accounts.

THE PRINCE AND PRINCESS OF WALES HOSPICE

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CHARITY BALANCE SHEET AS AT 31 MARCH 2012

	Notes	£	2012 £	2011 £
Fixed assets:				
Tangible assets	7		4,235,578	4,325,950
Investments	8		4,021,241	4,018,131
			8,256,819	8,344,081
Current assets:				
Debtors	9	569,372		300,108
Short term deposits		3,691,540		3,182,136
Cash on hand		284		512
Total current assets		4,261,196		3,482,756
Creditors: amounts falling due within one year	10	883,381		629,224
Net current assets			3,377,815	2,853,532
Total assets less current liabilities			11,634,634	11,197,613
Creditors: amounts falling due after more than one year	10		-	-
			11,634,634	11,197,613
Funds of the company:				
Restricted income funds			62,891	144,786
Designated income funds				
Fixed asset reserve			4,503,618	4,325,950
Service development reserve				
New Hospice development project			2,731,960	-
Other service developments			2,000,000	-
Unrestricted funds				
General reserve			2,336,165	6,726,877
Total accumulated funds	Page 21		11,634,634	11,197,613

The accounts were approved by the board on 29 August 2012 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 31 form part of these accounts.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

	£	2012 £	2011 £
Surplus on operating activities		118,917	143,892
Legacy income		318,104	191,477
Income from investments		(266,260)	(195,631)
Loss (Gain) on sale of investments		13,320	(6,732)
Investment provision		75,937	(7,423)
Depreciation		379,326	328,922
(Increase) decrease in debtors		(53,289)	34,605
Increase in creditors		267,076	87,563
Net cash inflow from operating activities		853,131	576,673
Net cash inflow from return on investments and servicing of finance			
Investment income received		266,260	195,631
		1,119,391	772,304
Net cash (outflow)/inflow from investing activities			
Purchase of tangible fixed assets	(556,994)		(170,532)
Acquisition of investments	(1,433,051)		(2,172,907)
Proceeds on sale of investments	1,340,685		108,589
		(649,360)	(2,234,850)
Net cash inflow (outflow) before financing		470,031	(1,462,546)
Net cash (outflow) from financing			
Repayment of loans		-	(5,274)
Increase (Decrease) in cash		470,031	(1,467,820)

Analysis of changes in net funds/(debt)

	At 1 April 2011 £	Other changes £	Cash flows £	At 31 March 2012 £
Loans				
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	-	-
	-	-	-	-
Cash in hand and at bank	3,263,207	-	470,031	3,733,238
	3,263,207	-	470,031	3,733,238

The Statement of Hospice Reserves and notes on pages 21 to 31 form part of these accounts.

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2012**

	Restricted Fund £	Trading subsidiary £	Designated & Unrestricted £	2012 Total £	2011 Total £
Incoming resources:					
Incoming resources from charitable activities					
NHS	8,666	-	1,725,780	1,734,446	1,782,795
Scottish Government Grant	50,000	-	-	50,000	-
Incoming resources from generated funds					
Donations	66,619	-	483,005	549,624	568,991
Fund Raising Events	-	-	1,313,625	1,313,625	1,149,384
Lottery	-	-	782,422	782,422	756,176
Shop sales	-	973,570	-	973,570	885,498
Income from investments	-	62	266,198	266,260	195,631
Other	-	-	52,140	52,140	50,470
Legacies	-	-	318,104	318,104	191,477
Total incoming resources	125,285	973,632	4,941,274	6,040,191	5,580,422
Resources expended:					
Charitable activities:					
Staff costs	43,038	-	2,717,632	2,760,670	2,679,423
Depreciation	-	-	379,326	379,326	328,922
Other expenses	692	-	548,792	549,484	641,327
	43,730	-	3,645,750	3,689,480	3,649,672
Costs of generating funds:					
Staff costs	-	317,834	344,201	662,035	610,689
Lottery	-	-	342,105	342,105	325,036
Other expenses	-	335,221	458,520	793,740	649,095
	-	653,055	1,144,826	1,797,881	1,584,820
Governance costs:					
Staff costs	-	-	16,442	16,442	15,936
Other expenses	-	5,400	4,710	10,110	8,780
	-	5,400	21,152	26,552	24,716
Total resources expended	43,370	658,455	4,811,728	5,513,913	5,259,208
Net incoming resources before transfers	81,555	315,177	129,546	526,278	321,214
Transfers between funds:					
Trading company payments	-	(315,177)	315,177	-	-
Capital expenditure	(163,450)	-	163,450	-	-
	(81,895)	-	608,173	526,278	321,214
Gains on investments:					
Realised on sale	-	-	(13,320)	(13,320)	6,732
Movement on provision for losses	-	-	(75,937)	(75,937)	7,423
Net movement in funds	(81,895)	-	518,916	437,021	335,369
Total funds brought forward	144,786	-	11,052,827	11,197,613	10,862,244
Total funds carried forward	62,891	-	11,571,743	11,634,634	11,197,613

The Statement of Hospice Reserves and notes on pages 21 to 31 form part of these accounts.

STATEMENT OF HOSPICE RESERVES

Group & Company	Restricted Funds			Designated funds			Unrestricted Funds		Total Funds
	Facilities Development	Learning Disability Project	Other Ongoing Activities	Capital Development Project	Capital Development Project	For Other Service Development	Fixed Asset Reserve	General Reserve	
	£	£	£	£	£	£	£	£	£
At 1 April 2011	144,786	-	-	-	-	-	4,325,950	6,726,877	11,197,613
Year ended 31 March 2012:									
Operating income	25,764	50,000	49,521	-	-	-	-	5,084,785	5,210,070
Operating costs	-	-	(43,730)	-	-	-	(379,326)	(4,668,097)	(5,091,153)
Legacies	25,764	50,000	5,791	-	-	-	(379,326)	416,688	118,917
	-	-	-	-	-	-	-	318,104	318,104
Transfers:	25,764	50,000	5,791	-	-	-	(379,326)	734,792	437,021
Capital Expenditure	(163,450)	-	-	-	(268,040)	-	556,994	(125,504)	-
Additional Designations	-	-	-	-	3,000,000	2,000,000	-	(5,000,000)	-
Net movement	(137,686)	50,000	5,791	-	2,731,960	2,000,000	177,668	(4,390,712)	437,021
At 31 March 2012	7,100	50,000	5,791	-	2,731,960	2,000,000	4,503,618	2,336,165	11,634,634

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

As explained in the Directors' Report, the Hospice is now some way towards 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 have therefore reviewed their policies for reserve retention to 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.

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

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

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, the Hospice utilised £140,686 received in previous years in completing the redevelopment of an area of its building to accommodate an enhanced family support service, including the Butterfly Project. £25,764 was received during the year towards the cost of equipment improvements to add to £4,100 brought forward from 2010-11. Of this, £22,764 was spent, leaving a balance of £7,100 to be carried forward to the coming financial year.
- In late March 2012, a grant of £50,000 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. These funds will be supplemented by a further grant of £25,000 from the Burdett Trust which will allow the deployment of an additional (part-time) nurse whose role will be to widen knowledge within the Primary Healthcare community of services for those with learning disabilities. The project will run for an initial 12 month period from the recruitment of the necessary staff, expected to be in early summer 2012. The Scottish Government Grant has been carried forward in Restricted Reserves in anticipation of the expenditures on this project.
- During the year, £45,903 was received to support a number of staff posts, notably related to work on widening public access to Hospice services, including work with Minority Ethnic communities, a pilot for the Learning disability project referred to above, and a project to provide patients and families with access to Music Therapy. Of this £43,038 was spent during the year, and the balance of £2,865 related to the Music Therapy project will be spent early in the new financial year. A further £3,618 was received towards the cost of complementary therapies, of which £692 was spent, leaving a balance of £2,926 to be carried forward.

Development Appeal

Present accounting treatment under the Statement of Recommended Practice for Charity Accounts 2005, to which the Hospice's accounts must 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, it is likely that 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 income streams 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.

STATEMENT OF HOSPICE RESERVES (Continued)

Designated Funds*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 is of the order of £18 million, and the Hospice Board has decided to commit a minimum of £3 million of Reserves to that purpose. These reserves are therefore now regarded as unavailable for any other purpose. At 31 March 2012, costs of £268,040 had been incurred on design of the new facility, and these have been charged against this reserve, leaving a balance of £2,731,960 to fund future expenditure.

Designated Service Development Reserve – Other Service Developments

At present, this Reserve of £2 million is seen as covering three main areas of requirement.

- Although the Hospice has committed at least £3m to the Capital Development project, it is likely that cash flow patterns will require additional finance to be committed before fundraising is complete. Reserves require to be allocated to allow for this situation, although the Board would carefully consider cost incurrence which would require such increased commitment.
- As well as the major capital development in the building of a new Hospice, the Development Project includes the extension of services to Young Adults. The Prince & Princess of Wales Hospice is the first hospice in Scotland to include this group as a targeted service group, and as such, much of the work required in setting up the service is new. Undoubtedly, there will be additional revenue costs to provide specialist care and additional nursing, as well as the running costs of an appropriate hospice facility. At present, funding of this aspect of the project will rely entirely on private funding support, and the Directors therefore consider it prudent to identify reserves which may be used to help initiate and facilitate this new service.
- 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. Reserves are often necessary to allow the pump-priming of such projects and activities.

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. Included in the Designated Fixed Asset Reserve of the Company is an amount equal to the funding by the Hospice of its subsidiary company, Hospice Developments Limited. Although included in Debtors rather than Fixed Assets, the Hospice regards these funds as invested for the long term development of the Hospice facility, and therefore not available for expenditure on charitable activities.

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 2012****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 2012 the company had 45 (2011 - 44) 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 2012 (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 a development project until that 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

	2012 £	2011 £
Student education	10,100	6,196
Medical certificates	16,432	14,333
Kitchen and café income	25,608	29,941
	52,140	50,470

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

4. Income from investments

	2012	2011
	£	£
Dividend income	207,506	117,874
Interest from short term deposits	58,754	77,757
	<u>266,260</u>	<u>195,631</u>

5. Staff costs

	2012	2011
	£	£
Salaries	3,011,550	2,894,408
Social security costs	250,533	245,633
Pension scheme costs	177,064	166,007
	<u>3,439,147</u>	<u>3,306,048</u>

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

The average weekly number of persons employed (FTE) during the year was 114 (2011 - 111).

Senior staff remuneration included employees earning within the following bands:

	2012	2011
£70,000 - £ 80,000	1	1
£90,000 - £100,000	-	1

Pension contributions are paid for these members of staff.

6. Other expenses

	2012	2011
	£	£
Included in other expenses are:		
Auditor's remuneration: audit services	4,710	3,480
other services	8,882	5,300
	<u>13,592</u>	<u>8,780</u>

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

7. Fixed assets <i>Group</i>	Heritable property £	Equip. and vehicles £	Capital work-in progress £	Total £
Cost:				
At 1 April 2011	6,073,157	950,487	37,619	7,061,263
Additions	202,244	86,710	268,040	556,994
Transfers	37,619	-	(37,619)	-
Disposals	-	-	-	-
At 31 March 2012	6,313,020	1,037,197	268,040	7,618,257
Depreciation:				
At 1 April 2011	2,018,162	717,151	-	2,735,313
Provided during year	267,704	111,622	-	379,326
At 31 March 2012	2,285,866	828,773	-	3,114,639
Net book value:				
At 31 March 2012	4,027,154	208,424	268,040	4,503,618
At 31 March 2011	4,054,995	233,336	37,619	4,325,950
<i>Company</i>				
Cost:				
At 1 April 2011	6,073,157	950,487	37,619	7,061,263
Additions	202,244	86,710	-	288,954
Transfers	37,619	-	(37,619)	-
Disposals	-	-	-	-
At 31 March 2012	6,313,020	1,037,197	-	7,350,217
Depreciation:				
At 1 April 2011	2,018,162	717,151	-	2,735,313
Provided during year	267,704	111,622	-	379,326
At 31 March 2012	2,285,866	828,773	-	3,114,639
Net book value:				
At 31 March 2012	4,027,154	208,424	-	4,235,578
At 31 March 2011	4,054,995	233,336	37,619	4,325,950

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 2012, this sum was £135,000 (2011 £131,000).

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

8. Investments	2012	2011
<i>Group & Company</i>	<i>£</i>	<i>£</i>
Listed investments at cost:		
At 1 April 2011 (2010)	4,049,650	1,978,600
Additions	1,433,051	2,172,907
Disposals	(1,354,005)	(101,857)
At 31 March 2012 (2011)	4,128,696	4,049,650
Provision for losses on listed investments:		
At 1 April 2011 (2010)	32,519	39,942
Movement in year	75,937	(7,423)
At 31 March 2012 (2011)	108,456	32,519
Net book value at 31 March 2012	4,020,240	4,017,131
MV £4,386,522 (2011 £4,355,099)		
 <i>Company</i>		
Unlisted investments at cost:		
At 1 April 2011 (2010)	1,000	1,000
Additions	1	-
At 31 March 2012 (2011)	1,001	1,000
 Total investments	4,021,241	4,018,131

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.

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

9. Debtors

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
Event income receivable	55,017	9,897	41,077	7,533
Income tax recoverable	51,912	42,716	51,912	42,716
Other debtors and prepayments	190,568	191,595	112,742	144,314
Hospice Enterprises Limited	-	-	95,601	105,545
Hospice Developments Limited	-	-	268,040	-
	<u>297,497</u>	<u>244,208</u>	<u>569,372</u>	<u>300,108</u>

10. Creditors

	2012		2011	
	Due within	Due after	Due within	Due after
	one year	more than	one year	more than
	£	£	£	£
<i>Group</i>				
Sundry creditors & accrued charges	808,455	-	548,028	-
Butterfly Project – Restricted Funds in trust (Note 12)	39,791	-	36,637	-
Taxes & social security	71,713	-	68,218	-
	<u>919,959</u>	<u>-</u>	<u>652,883</u>	<u>-</u>
<i>Company</i>	£	£	£	£
Sundry creditors & accrued charges	771,877	-	524,369	-
Butterfly Project – in trust (Note 12)	39,791	-	36,637	-
Taxes & social security	71,713	-	68,218	-
	<u>883,381</u>	<u>-</u>	<u>629,224</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

12. 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:

	2011-12 £	2010-11 £
Restricted Funds received from Big Lottery	69,888	67,230
Hospice funding	15,000	15,000
	<u>84,888</u>	<u>82,230</u>
Expenditure incurred	81,734	68,928
	<u>3,154</u>	<u>13,302</u>
Excess of Income over Expenditure	3,154	13,302
Brought Forward	36,637	23,335
	<u>39,791</u>	<u>36,637</u>
Restricted Funds held in trust by the Hospice	39,791	36,637

13. Capital Commitments

	2012 £	2011 £
Committed at 31 March	1,025,000	250,000

14. 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 £ 113,000 at year-end rates and membership. The pension costs charged to the income and expenditure account of £102,230 (2011 £95,335) 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 £ 80,000 at year-end rates and membership. Pension costs arising and charged to the Income and Expenditure Account in respect of this scheme totalled £74,834 (2011 £70,672).

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

15. 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

	2012	2011	2010	2009	2008
	£	£	£	£	£
Expenditure:					
Staff costs	3,439,147	3,306,048	3,078,837	2,693,393	2,608,797
Depreciation	379,326	328,922	295,190	281,075	153,736
Other charitable expenses	624,038	701,168	699,854	630,434	566,262
Trading expenses	306,537	271,420	278,965	243,394	196,688
Lottery expenses	342,105	325,036	328,039	321,422	299,179
Total expenditure	5,091,153	4,932,594	4,680,885	4,169,718	3,824,662
Operating income:					
Trading company income	973,570	885,498	880,914	782,473	674,467
Lottery income	782,422	756,176	747,349	714,677	642,146
Donations	549,624	568,991	539,490	688,904	708,958
Fund Raising Events	890,865	822,770	877,801	963,233	772,163
Other	52,140	50,470	63,080	40,686	41,801
Investment income	266,260	195,631	132,983	241,063	193,325
(Loss)/gain on investments	(89,257)	14,155	129,109	(172,395)	(86,675)
Grants received	50,000	-	-	-	29,373
NHS	3,475,624	3,293,691	3,370,726	3,258,641	2,975,558
	1,734,446	1,782,795	1,607,240	1,470,984	1,399,800
Total operating income	5,210,070	5,076,486	4,977,966	4,729,625	4,375,358
Surplus on operations	118,917	143,892	297,081	559,907	550,696
Legacies	318,104	191,477	687,269	1,000,318	395,873
Surplus for year	£ 437,021	£ 335,369	£ 984,350	£ 1,560,225	£ 946,569
Number of staff (FTE)	114	111	107	96	95

**THE PRINCE AND PRINCESS OF WALES HOSPICE
FIVE YEAR SUMMARY OF ACCOUNTS
CONSOLIDATED BALANCE SHEETS**

	2012	2011	2010	2009	2008
	£	£	£	£	£
Tangible assets:					
Fixed assets	4,503,618	4,325,950	4,484,340	4,635,138	4,351,009
Investments	4,020,240	4,017,131	1,938,658	731,027	842,544
	<u>8,523,858</u>	<u>8,343,081</u>	<u>6,422,998</u>	<u>5,366,165</u>	<u>5,193,553</u>
Current assets:					
Debtors	297,497	244,208	278,813	227,201	314,540
Short term deposits	3,732,674	3,262,415	4,730,222	4,827,959	3,134,465
Cash on hand	564	792	805	832	670
	<u>4,030,735</u>	<u>3,507,415</u>	<u>5,009,840</u>	<u>5,055,992</u>	<u>3,449,675</u>
Current liabilities:					
Sundry creditors	851,741	584,665	500,968	469,993	236,671
Loans	-	-	5,274	15,689	16,476
Taxes & Social Security	68,218	68,218	64,352	53,307	50,277
	<u>919,959</u>	<u>652,883</u>	<u>570,594</u>	<u>538,989</u>	<u>303,424</u>
Net current assets	<u>3,110,776</u>	<u>2,854,532</u>	<u>4,439,246</u>	<u>4,517,003</u>	<u>3,146,251</u>
	11,634,634	11,197,613	10,862,244	9,883,168	8,339,804
Loans	-	-	-	(5,274)	(22,135)
	<u>£ 11,634,634</u>	<u>£ 11,197,613</u>	<u>£ 10,862,244</u>	<u>£ 9,877,894</u>	<u>£ 8,317,669</u>
Accumulated funds					
Restricted income funds	62,891	144,786	120,067	88,633	75,425
Designated income funds					
Fixed asset reserve	4,503,618	4,325,950	4,484,340	4,635,138	4,351,009
Service Development					
New Hospice	2,731,960	-	-	-	-
Other Developments	2,000,000	-	-	-	-
Unrestricted income funds:					
General funds available for general purposes	2,336,165	6,726,877	6,257,837	5,154,123	3,891,235
	<u>£ 11,634,634</u>	<u>£ 11,197,613</u>	<u>£ 10,862,244</u>	<u>£ 9,877,894</u>	<u>£ 8,317,669</u>