

REPORTS AND FINANCIAL STATEMENTS

**MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY
GUARANTEE**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Mr. Michael O'Sullivan (Chairman)
Mr. John Buttimer
Prof. Mary Horgan
Mr. Mortimer Kelleher
Ms. Margaret Lane
Mr. Neil O'Carroll
Mr. Maurice O'Connor
Ms. Paula O'Leary
Ms. Irene O'Donovan
Mr. Joe O'Shea
Dr. Sheila Rochford

COMPANY SECRETARY

L & P Financial Trustees Limited
c/o Mercy Provincial Offices
Bishop Street
Cork

REGISTERED OFFICE

Mercy Provincial Offices
Bishop Street
Cork

AUDITORS

Deloitte
Chartered Accountants and Statutory Audit Firm
No. 6 Lapp's Quay
Cork

BANKERS

Bank of Ireland
32 South Mall
Cork

SOLICITORS

Doyle Solicitors
31 South Bank
Crosses Green
Cork

REGISTERED NUMBER

353064

Mercy University Hospital Cork Company Limited by Guarantee

(A Company Limited by Guarantee not having a Share Capital)

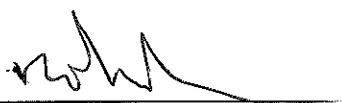
Directors' Report and Financial Statements


For the financial year end 31 December 2017

Registration Number: 353064

We hereby certify that the accompanying directors' report, independent auditor's report, profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and accompanying notes are true copies of that laid or to be laid before the AGM.

Yours faithfully


Michael O'Sullivan
Director


Joe O'Shea
Director

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the financial year ended 31 December 2017.

ACTIVITIES

The company is a company limited by guarantee, not having a share capital.

The activities of the company are charitable; - the relief, cure and the prevention of sickness and to provide, construct and continue the governance, management, control and development of the Mercy University Hospital Cork Company Limited by Guarantee and all ancillary services and facilities within and associated with the Hospital in accordance with the core values, ethos and philosophy of the Congregation of the Sisters of Mercy.

FUTURE DEVELOPMENTS

The company plans to continue providing high quality healthcare, together and keeping pace with appropriate developments and improvements in medical and clinical healthcare practices in line with the hospital's strategy.

BUSINESS REVIEW

	2017 €	2016 €
Deficit for the financial year	<u>(2,296,148)</u>	<u>(1,803,368)</u>

Revenue for the financial year amounted to €100.5 million (2016: €94.2 million), which is an increase of €6.3 million (2016: €1.5 million) compared with prior year.

Total operating costs for the financial year amounted to €102.7 million (2016: €95.9 million). This represents an increase of €6.8 million (2016: €3.7 million). Factors contributing to the increase in operating costs include the opening of St. Francis Unit, reversal of pay agreements and the increased expenditure on drugs.

The hospital's determination for the financial year from the HSE amounted to €78.75 million (2016: €72.97 million).

Net assets are €6.64 million (2016: €8.64 million), a decrease of €2 million.

DIRECTORS

The present membership of the board is set out on page 2. All directors served throughout the financial year except as noted below.

Mr. Michael O'Sullivan (Chairman)
Prof. Colin Bradley (resigned 4 September 2017)
Mr. John Buttimer
Dr. Michele Dillon (resigned 26 June 2017)
Prof. Mary Horgan
Mr. Mortimer Kelleher
Mr. Neil O'Carroll
Mr. Maurice O'Connor
Ms. Paula O'Leary (appointed 18 September 2017)
Ms. Irene O'Donovan
Mr. Joe O'Shea
Ms. Margaret Lane (resigned 22 May 2017; reappointed 1 January 2018)
Dr. Sheila Rochford (appointed 18 September 2017)

DIRECTORS' AND SECRETARY'S INTEREST IN SHARES

The directors and secretary did not hold any interests in the company. The company is limited by guarantee. It does not have share capital.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events affecting the company since the end of the financial year that require disclosure in these financial statements.

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MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at Grenville Place, Cork.

TRANSACTIONS INVOLVING DIRECTORS

There were no contracts or arrangements of any significance in relation to the business of the company, at any time during the year ended 31 December 2017.

TAXATION STATUS

The company has been granted charitable status by the Revenue Commissioners of Ireland.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to financial risks mainly in respect of credit and cash flow and has an appropriate risk management in place to manage its financial exposure in respect of these risks.

CREDIT RISK

Appropriate policies are in place that require credit checks around the supply of services by the company. Receivable balances are subject to ongoing monitoring and an allowance for impairment is made where there is evidence of a reduction in the estimated recoverability of the related cash flows.

CASH FLOW

The company is substantially dependent on financing from the Health Service Executive and engages on an ongoing basis in connection with the timing of the receipt of these funds so as to ensure that sufficient funds are available to fund ongoing operations. In addition the company has in place a short term overdraft arrangement to allow for effective cash flow management.

GOING CONCERN

The company recorded a deficit amounting to €2,296,148 (2016:€1,803,368) for the year ended 31 December 2017 and its net current liabilities at that date amounted to € 4,952,070 (2016: €3,235,611). The company continues to face challenges including expected growth in the existing level of services; and increases in pay and non-pay costs. The company is dependent on funding from the Health Service Executive ("HSE") for the majority of its annual operating costs.

The directors have completed an assessment of the company's ability to continue as a going concern by reference to its current financial position and its cash flow forecasts for the foreseeable future. This assessment reflected assumptions in relation to funding requirements, activity levels, and cost increases. The company will continue to engage with the HSE in relation to its funding requirements. On this basis, and on the basis of past experience, the directors believe that adequate funding will be available to enable the company to provide services without significant curtailment for at least twelve months from the date of approval of the financial statements.

Accordingly the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

POLITICAL DONATIONS

The Electoral Act, 1997, as amended, requires companies to disclose all political donations to any individual party over €200 in value made during the financial year. The directors, on enquiry, have satisfied themselves that no such donations in excess of this amount have been made by the company.

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MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT

RESEARCH AND DEVELOPMENT

The company does not engage in significant research and development activities.

PROMPT PAYMENTS OF ACCOUNT ACT, 1997 (As amended)

The directors acknowledge their responsibility for ensuring compliance with the Prompt Payments of Accounts Act, 1997, as amended by the European Communities (Late Payment in Commercial Transactions) Regulations, 2002. Procedures have been implemented to identify dates upon which invoices fall due for payment and for payment to be made on such dates. The directors use their best endeavours to ensure that the company has complied with the provisions of the Act.

AUDIT COMMITTEE

The company has established an audit committee pursuant to Section 167 of the Companies Act 2014.

DIRECTORS' COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the company's compliance with the relevant obligations as set out in section 225 of the Companies Act 2014.

The directors confirm that:

1. A compliance policy statement has been drawn up that sets out the policies that in our opinion are appropriate to the company, in respect of its relevant obligations.
2. Appropriate arrangements or structures are in place that are, in our opinion, designed to secure material compliance with the company's relevant obligations; and
3. During the financial year, the arrangements or structures referred to in (2) have been reviewed.

AUDITOR

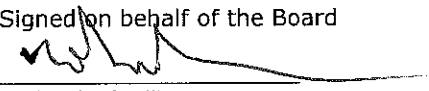
The auditor, Deloitte, Chartered Accountants and Statutory Audit Firm, continues in office in accordance with Section 383(2) of the Companies Act 2014.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Signed on behalf of the Board


Michael O'Sullivan
Director


Joe O'Shea
Director

Date:

23 April 2018.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for ensuring that the company complies with the provisions of the Prompt Payments of Accounts Act 1997 as amended by the European Community (Late Payment in Commercial Transactions) Regulations 2002.

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

Report on the audit of the financial statements

Opinion on the financial statements of Mercy University Hospital Cork Company Limited by Guarantee (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2017 and of the deficit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 25, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the company financial statements is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Uncertainty related to going concern

Without modifying our opinion, we draw your attention to the disclosures in note 3 which explains the basis on which the directors have prepared the financial statements of the company on a going concern basis and identifies that the directors consider that there are uncertainties that may cast doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

Auditor's responsibilities for the audit of the financial statements - continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.



Honor Moore
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Cork

Date: 30 April 2018

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 €	2016 €
Turnover – continuing operations	4	<u>100,472,454</u>	<u>94,162,085</u>
Costs			
Payroll and related costs	5	(69,511,601)	(65,932,889)
Non payroll costs		(32,231,270)	(29,156,382)
Depreciation		(3,244,810)	(3,270,316)
Grant amortisation		<u>2,300,814</u>	<u>2,471,463</u>
Total operating costs		<u>(102,686,867)</u>	<u>(95,888,124)</u>
Operating deficit– continuing operations		(2,214,413)	(1,726,039)
Finance costs (net)	7	<u>(81,735)</u>	<u>(77,329)</u>
DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(2,296,148)	(1,803,368)
Tax on deficit on ordinary activities	8	—	—
DEFICIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(2,296,148)</u>	<u>(1,803,368)</u>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

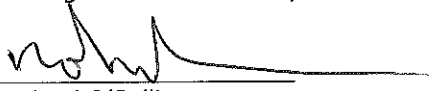
	Notes	2017 €	2016 €
DEFICIT ON ORDINARY ACTIVITIES AFTER TAXATION		(2,296,148)	(1,803,368)
Donated assets received		<u>277,053</u>	<u>222,592</u>
TOTAL COMPREHENSIVE INCOME RELATING TO THE YEAR		<u>(2,019,095)</u>	<u>(1,580,776)</u>


MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017 €	2016 €
FIXED ASSETS			
Tangible assets	9	<u>51,696,371</u>	<u>51,934,217</u>
CURRENT ASSETS			
Stocks	10	2,274,306	2,268,069
Debtors	11	12,233,177	11,406,445
Cash at bank and in hand		<u>7,293</u>	<u>12,670</u>
		14,514,776	13,687,184
CREDITORS – Amounts falling due within one year	12	<u>(19,466,846)</u>	<u>(16,922,795)</u>
NET CURRENT LIABILITIES		<u>(4,952,070)</u>	<u>(3,235,611)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		46,744,301	48,698,606
CAPITAL GRANTS	13	<u>(39,867,022)</u>	<u>(40,012,119)</u>
Creditors: Amounts falling due after one year	14	<u>(239,625)</u>	<u>(29,738)</u>
NET ASSETS		<u>6,637,654</u>	<u>8,656,749</u>
CAPITAL AND RESERVES			
Profit and loss account	16	(4,454,346)	(3,097,891)
Revaluation reserve	16	9,370,147	10,037,879
Donated assets reserve	16	<u>1,721,853</u>	<u>1,716,761</u>
SHAREHOLDERS' FUNDS		<u>6,637,654</u>	<u>8,656,749</u>

The financial statements were approved by the board of directors on 28/4/18
and signed on its behalf by:


Michael O'Sullivan
Director


Joe O'Shea
Director

Date: 23 April 2018.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Profit and loss account €	Revaluation reserve €	Donated asset reserve €	Total €
Balance at 1 January 2016	(2,206,511)	10,705,611	1,738,425	10,237,525
Donated assets in year	-	-	222,592	222,592
Deficit for the year	(1,803,368)	-	-	(1,803,368)
Transfer from donated asset reserve	244,256	-	(244,256)	-
Transfer from revaluation reserve	<u>667,732</u>	<u>(667,732)</u>	-	-
Balance at 31 December 2016	<u>(3,097,891)</u>	<u>10,037,879</u>	<u>1,716,761</u>	<u>8,656,749</u>
Balance at 1 January 2017	(3,097,891)	10,037,879	1,716,761	8,656,749
Donated assets in year	-	-	277,053	277,053
Deficit for the year	(2,296,148)	-	-	(2,296,148)
Transfer from donated asset reserve	271,961	-	(271,961)	-
Transfer from revaluation reserve	<u>667,732</u>	<u>(667,732)</u>	-	-
Balance at 31 December 2017	<u>(4,454,346)</u>	<u>9,370,147</u>	<u>1,721,853</u>	<u>6,637,654</u>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 €	2016 €
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	<u>1,172,912</u>	<u>114,721</u>
INVESTING ACTIVITIES			
Interest expense and similar charges		(81,735)	(77,329)
Payments to acquire tangible assets		<u>(2,448,926)</u>	<u>(2,510,874)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(2,530,661)</u>	<u>(2,588,203)</u>
FINANCING ACTIVITIES			
Finance lease payments		(60,113)	(17,145)
Capital grants received		<u>2,155,717</u>	<u>2,287,017</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>2,095,604</u>	<u>2,269,872</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		737,855	(203,610)
Cash and cash equivalents at start of year		<u>(3,710,033)</u>	<u>(3,506,423)</u>
Cash and cash equivalents at end of year		<u>(2,972,178)</u>	<u>(3,710,033)</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash		7,293	12,670
Bank overdraft		<u>(2,979,471)</u>	<u>(3,722,703)</u>
		<u>(2,972,178)</u>	<u>(3,710,033)</u>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

1. STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by the company are as summarised below.

They have been applied consistently throughout the financial year and the preceding financial year.

GENERAL INFORMATION AND BASIS OF ACCOUNTING

Mercy University Hospital is a company incorporated in Ireland under the Companies Act 2014. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the directors' report on pages 4 to 6.

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Mercy University Hospital is considered to be euro because that is the currency of the primary economic environment in which the company operates.

TURNOVER

Income includes the invoice value of services provided by the Hospital and is recognised when the service is provided and invoiced. Accident and emergency and road traffic accident income is accounted for on a cash receipts basis.

The Health Service Executive (HSE) determination is receivable from the HSE and is treated as turnover in the financial statements.

- a) Revenue determination: The HSE determination allocation in respect of the Hospital's operating expenditure is taken to income on an accruals basis.
- b) Capital grants: Capital grants from the HSE in respect of capital expenditure are deferred and are amortised to income over the life of the related asset.

TANGIBLE ASSETS

Buildings are stated at 1993 replacement valuation together with additions thereafter at cost. Plant and equipment is shown at 1991 replacement valuation with additions thereafter at cost.

In accordance with the transitional provisions of FRS 102, these valuations have been treated in the financial statements as deemed cost.

Grant aided asset additions are capitalised under normal accounting practice.

Non-grant aided capital additions with a value in excess of €3,809 are capitalised under fixed asset additions.

Depreciation is calculated in order to write off tangible assets other than freehold land over their estimated useful lives by equal annual amounts, on the following basis and rates:

Buildings	2.5% straight line
Plant and equipment	10% straight line
Fixtures and fittings	10% straight line

Development in progress is not subjected to annual depreciation charges until the asset is brought into use but is stated net of impairment.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

1. STATEMENT OF ACCOUNTING POLICIES - continued

DONATED FIXED ASSETS

Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Donated fixed assets are depreciated as for purchased assets. Each financial year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the profit and loss reserve.

STOCKS

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. An allowance is made for obsolete, slow-moving or defective items where appropriate.

PENSIONS

Eligible employees of the hospital are members of the Voluntary Hospitals Superannuation scheme. This is a defined benefits pension scheme which is administered, funded and underwritten by the Department of Health. The company acts as an agent in the operation of the scheme and does not make any contributions to the scheme. Contributions are received from eligible employees only.

In accordance with the service plan agreed with the Department of Health, pension contributions received may be offset against pension payments made and the surplus or deficit each financial year forms part of the funding for the company. The directors consider that the company has no responsibility for any liability that falls due as a result of any potential under funding of the scheme.

Contributions received from employees who are members of the scheme are credited to the profit and loss account as they are received. Pension payments made under the scheme are charged to the profit and loss account as they fall due.

Refunds of contributions paid are charged to the profit and loss accounts when notification is received from the Health Service Executive to make a payment to an employee who is leaving the scheme.

Certain employees are members of the Single Public Service Pension Scheme administered by the Department of Public Expenditure and Reform. Contributions from the employees are paid over to the department.

FOREIGN CURRENCY

The Euro is the reporting currency of the company. Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated into Euro at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date with a corresponding charge or credit to the profit and loss account.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

1. STATEMENT OF ACCOUNTING POLICIES - continued

LEASES

The company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability. Costs under operating leases are charged to the profit and loss account in the financial year to which they relate.

IMPAIRMENT OF ASSETS

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced to below its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognized when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

1. STATEMENT OF ACCOUNTING POLICIES - continued

FINANCIAL INSTRUMENTS - continued

Financial assets and liabilities - continued

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

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

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

Going Concern

See note 3 for the directors' judgement in relation to the going concern basis of accounting.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions also include provisions for bad debts.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting financial year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Useful economic lives

The useful economic lives of tangible assets are key assumptions concerning the future at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In determining these estimates, the company has considered the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence and any other limits on the use of assets.

3. BASIS OF PREPARATION

The company recorded a deficit amounting to €2,296,148 (2016:€1,803,368) for the year ended 31 December 2017 and its net current liabilities at that date amounted to €4,952,070 (2016: €3,235,611). The company continues to face challenges including expected growth in the existing level of services; and increases in pay and non-pay costs. The company is dependent on funding from the Health Service Executive ("HSE") for the majority of its annual operating costs.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

4. BASIS OF PREPARATION - continued

The directors have completed an assessment of the company's ability to continue as a going concern by reference to its current financial position and its cash flow forecasts for the foreseeable future. This assessment reflected assumptions in relation to funding requirements, activity levels, and cost increases. The company will continue to engage with the HSE in relation to its funding requirements. On this basis, and on the basis of past experience, the directors believe that adequate funding will be available to enable the company to provide services without significant curtailment for at least twelve months from the date of approval of the financial statements.

Accordingly the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

4. TURNOVER

Revenue comprises the invoiced value of services supplied by the company within the Republic of Ireland. It comprises:

	2017 €	2016 €
HSE determination	78,750,838	72,970,510
Patient income	19,293,560	18,591,592
Pension contributions and levy (net)	1,232,508	1,383,610
Other income	<u>1,195,548</u>	<u>1,216,373</u>
	<u>100,472,454</u>	<u>94,162,085</u>

5. EMPLOYEES AND REMUNERATION

	2017 No.	2016 No.
The average number of employees during the year were:		
Management & administration	201	186
Medical/dental	159	145
Nursing	407	401
Health and social care professionals	141	128
General support services	95	89
Other patient and client care	<u>109</u>	<u>107</u>
	<u>1,112</u>	<u>1,056</u>

PAYROLL AND RELATED COSTS

	2017 €	2016 €
Wages and salaries	63,107,096	60,313,548
Social security costs	5,785,595	5,293,576
Gratuities and lump sums	<u>618,910</u>	<u>325,765</u>
	<u>69,511,601</u>	<u>65,932,889</u>

The directors did not receive any remuneration or other emoluments during the current or prior financial years.

Other disclosures required by S.305/306 of the Companies Act 2014 in respect of directors' remuneration are nil.

Key management compensation amounted to €498,245 (2016: €489,312).

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

6. DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2017 €	2016 €
Deficit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration		
- audit of individual accounts (incl. VAT)	30,689	29,520
- taxation advisory services	-	-
- non audit services	-	-
- other services	-	-
Depreciation of tangible assets	3,244,810	3,270,316
Amortisation of capital grants	<u>(2,300,814)</u>	<u>(2,471,463)</u>

7. FINANCE COSTS (NET)	2017 €	2016 €
Interest payable and similar charges	<u>81,735</u>	<u>77,329</u>

8. TAXATION

No taxation liability arises as the company is a charitable body and its entire funds are committed to the objectives of the charity.

9. TANGIBLE ASSETS	Land & buildings €	Development in progress €	Plant & equipment €	Fixtures & fittings €	Total €
Cost/valuation					
At 1 January 2017	73,944,227	11,593,500	36,804,603	13,613,142	135,955,472
Additions	<u>1,241,137</u>	<u>-</u>	<u>1,473,333</u>	<u>292,494</u>	<u>3,006,964</u>
At 31 December 2017	<u>75,185,364</u>	<u>11,593,500</u>	<u>38,277,936</u>	<u>13,905,636</u>	<u>138,962,436</u>
Accumulated depreciation					
At 1 January 2017	32,938,771	6,593,500	30,918,352	13,570,632	84,021,255
Depreciation charge for year	<u>1,862,468</u>	<u>-</u>	<u>1,085,667</u>	<u>296,675</u>	<u>3,244,810</u>
At 31 December 2017	<u>34,801,239</u>	<u>6,593,500</u>	<u>32,004,019</u>	<u>13,867,307</u>	<u>87,266,065</u>
Net book value					
At 31 December 2017	<u>40,384,125</u>	<u>5,000,000</u>	<u>6,273,917</u>	<u>38,329</u>	<u>51,696,371</u>
At 31 December 2016	<u>41,005,456</u>	<u>5,000,000</u>	<u>5,886,251</u>	<u>42,510</u>	<u>51,934,217</u>

Fixed assets that have been funded by the Health Service Executive are the property of the Hospital, but may not be disposed of or applied to any other purpose without the Health Service Executive's prior consent.

Plant and equipment include assets with a net book value of €323,897 (2016: €94,417) which were acquired by way of finance lease. Assets to the value of €8,359,656 (2016: €7,979,655) are subject to a lien in favour of the Health Service Executive on foot of capital grants received.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

10. STOCKS	2017 €	2016 €
Drugs and medicines	685,408	611,996
Medical and surgical supplies	<u>1,588,898</u>	<u>1,656,073</u>
	<u>2,274,306</u>	<u>2,268,069</u>
The replacement cost of stock does not differ materially from its balance sheet value.		
11. DEBTORS – amounts falling due within one year	2017 €	2016 €
HSE – amounts receivable	4,938,044	5,527,311
Patient debtors	3,577,478	3,636,082
Other debtors	2,694,062	1,497,318
Prepayments	<u>1,023,593</u>	<u>745,734</u>
	<u>12,233,177</u>	<u>11,406,445</u>
12. CREDITORS – amounts falling due within one year	2017 €	2016 €
Trade creditors	6,577,121	5,027,992
PAYE and social welfare	3,783,757	2,197,537
VAT	71,051	33,973
Accrued expenses	5,651,343	5,638,476
Other creditors	345,299	238,148
Professional services withholding tax	35,451	51,598
Finance lease creditor	23,353	12,368
Bank overdraft	<u>2,979,471</u>	<u>3,722,703</u>
	<u>19,466,846</u>	<u>16,922,795</u>
Creditors for taxation and social welfare included above	<u>3,890,259</u>	<u>2,283,108</u>
13. CAPITAL GRANTS	2017 €	2016 €
Grants received from HSE:		
Balance at 1 January	40,012,119	40,196,565
Received during the year	2,155,717	2,287,017
Transfer to profit and loss account	<u>(2,300,814)</u>	<u>(2,471,463)</u>
Balance at 31 December	<u>39,867,022</u>	<u>40,012,119</u>
14. CREDITORS: amounts falling due after one year	2017 €	2016 €
Finance lease creditor	<u>239,625</u>	<u>29,738</u>

15. COMPANY STRUCTURE

The Mercy University Hospital Cork Company Limited by Guarantee is a company limited by guarantee, not having a share capital. It is guaranteed by members to the extent of €1 per member.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

16. RESERVES

The profit and loss account reserve represents cumulative profits or losses.

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date.

The donated asset reserve represents the value of donated assets received by the company net of the accumulated depreciation.

17. RELATED PARTY TRANSACTIONS

There are no related party transactions within the definitions of Section 33 of FRS 102, that require disclosure in these financial statements.

18. PENSIONS

Eligible employees of the hospital are members of the Voluntary Hospitals Superannuation scheme. This is a defined benefits pension scheme which is administered, funded and underwritten by the Department of Health. The company acts as an agent in the operation of the scheme and does not make any contributions to the scheme. Contributions are received from eligible employees only.

In accordance with the service plan agreed with the Department of Health, pension contributions received may be offset against pension payments made and the surplus or deficit of contributions each financial year forms part of the funding for the company.

The directors believe that the funds required in the future to pay current liabilities, as they arise in the future, will be provided by the Department of Health under the Voluntary Hospitals Superannuation Scheme, 1969. The directors have arrived at this opinion having taken into account precedent set on the closure of certain other healthcare facilities in recent years where pension payments (including retirement lump sum payments) have been honoured by the Department of Health.

Therefore, they believe that it is not necessary for the financial statements of the company to include the liability at the balance sheet date in respect of the pension entitlements accrued to that date by employees of the company, nor the other disclosure requirements of Section 28 of FRS 102 because the directors believe that the liability rests with the Department of Health. The above issue is similar to that applying in the majority of other publicly funded hospitals in Ireland.

In accordance with the accounting policy, contributions received from employees of €2,082,010 (2016: €2,112,303) were credited to the profit and loss account and pension payments of €3,463,244 (2016: €3,388,217) and lump sum payment of €618,910 (2016: €325,965) were charged to the profit and loss account.

A new Single Public Service Pension Scheme (Single Scheme) commenced with effect from 1st January 2013. The Scheme applies to all pensionable first time entrants to the Public Service, as well as former public servants returning to the Public Service after a break of more than 26 weeks. Benefits are calculated by reference to "referable amounts" for each year's service that are uprated by the CPI as notified by the Minister. All contributions deducted from members wages/salaries are remitted to the nominated bank account of the Department of Public Expenditure and Reform and not credited to the Profit and Loss Account. In the opinion of the directors, the Department of Public Expenditure and Reform ("DPER") is responsible for this Single Scheme and payments arising under this scheme to retiring employees are payable by the State. Contributions from the employees paid over to the Department in 2017 amounted to €839,777 (2016: €582,667).

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

19. FINANCIAL INSTRUMENTS

	2017 €	2016 €
Financial assets		
<i>Measured at undiscounted amounts receivable</i>		
Patient debtors – Note 11	3,577,478	3,636,082
HSE – Amounts receivable – Note 11	<u>4,938,044</u>	<u>5,527,311</u>
	<u>8,515,522</u>	<u>9,163,393</u>
Financial liabilities		
<i>Measured at amortised cost</i>		
Bank overdraft – Note 12	2,979,471	3,722,703
Obligations under finance leases – Note 21	<u>262,978</u>	<u>42,106</u>
<i>Measured at undiscounted amounts payable</i>		
Trade and other creditors – Note 12	<u>12,228,464</u>	<u>10,666,468</u>

20. RECONCILIATION OF OPERATING DEFICIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2017 €	2016 €
Operating deficit	(2,214,413)	(1,726,039)
Depreciation	3,244,810	3,270,316
Amortisation of grants	(2,300,814)	(2,471,463)
Increase in stock	(6,237)	(201,585)
(Increase)/decrease in debtors	(826,732)	1,407,809
Increase/(decrease) in creditors	<u>3,276,298</u>	<u>(164,317)</u>
Net cash inflow from operating activities	<u>1,172,912</u>	<u>114,721</u>

21. LEASE COMMITMENTS

(i) Operating leases

At the balance sheet date, the future minimum lease payments under non cancellable operating leases in respect of land and buildings are as follows:

	2017 €	2016 €
No later than one year	393,250	393,250
Later than one year and not later than five years	964,250	964,250
Later than five years	<u>255,750</u>	<u>649,000</u>

(ii) Finance leases

	2017 €	2016 €
Due within one year	23,353	12,368
Due after one year	<u>239,625</u>	<u>29,738</u>
	<u>262,978</u>	<u>42,106</u>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

22. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events affecting the company since the end of the financial year that are required to be disclosed in these financial statements.

23. MERCY UNIVERSITY FOUNDATION

The Mercy University Foundation funded the following to the Mercy Hospital during 2017.

	€
Salary and non pay costs	224,170
Assets purchased and donated to the hospital	<u>277,053</u>

24. CONTINGENT LIABILITY

Consultant Pay Claim

This relates to a potential claim which may arise in respect of an alleged breach of implementation of the 2008 consultants' contracts. As the HSE are addressing the matter on a national basis, no provision has been made in the financial statements in respect of any liabilities which may arise as a result of these negotiations.

Capital Grants

In certain circumstances, capital grants received from HSE may be repayable.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 April 2018.