

REPORTS AND FINANCIAL STATEMENTS

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Mr. Michael O'Sullivan (Chairman)
Prof. Colin Bradley
Mr. John Buttimer
Dr. Michele Dillon
Prof. Mary Horgan
Mr. Mortimer Kelleher
Ms. Margaret Lane
Mr. Neil O'Carroll
Mr. Maurice O'Connor
Ms. Irene O'Donovan
Mr. Joe O'Shea

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 2016

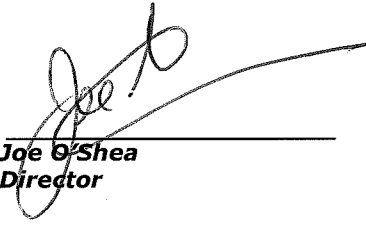
Registration Number: 353064

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 2016.

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

	2016 €	2015 €
(Deficit)/surplus for the financial year	<u>(1,803,368)</u>	<u>303,119</u>

Revenue for the financial year amounted to €94.2 million (2015: €92.7 million), which is an increase of €1.5 million (2015: €4.3 million) compared with prior year.

Total operating costs for the financial year amounted to €95.9 million (2015: €92.2 million). This represents an increase of €3.7 million (2015: €2.8 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 €72.97 million (2015: €70.7 million).

Net assets are €8.64 million (2015: €10.2 million), a decrease of €1.6 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
Mr. John Buttimer
Dr. Michele Dillon
Prof. Mary Horgan
Mr. Mortimer Kelleher
Ms. Margaret Lane
Sr. Veronica Mangan (Retired 26 September 2016)
Mr. Neil O'Carroll
Mr. Maurice O'Connor
Ms. Irene O'Donovan
Mr. Joe O'Shea

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 2016.

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 directors note that the company recorded a deficit of €1,803,368 (2015: surplus of €303,119) in the financial year ended 31 December 2016. The company continues to face challenges including the expected growth in the existing level of services, pay increments and restoration of pay under the Lansdown Road Agreement and expected usage in drugs.

As of 31 December 2016, the company's net current liabilities amounted to €3,235,611 (2015: €1,994,553). These conditions indicate the existence of uncertainties that may cast doubt on the company's ability to continue as a going concern.

The company is dependent on an annual income determination from the Health Service Executive ("HSE") to meet the majority of its annual operating costs. Based on discussions with HSE and past experience, the directors are confident that adequate funding to enable the company to provide services for at least one year from the date of approval of the financial statements will be provided.

Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis. This reflects their assumptions about the hospital's operations, the level of support from the HSE as well as ongoing initiatives to control costs.

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

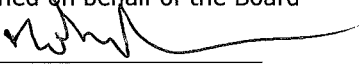
The auditor, Deloitte, Chartered Accountants and Statutory Audit Firm, continues in office in accordance with Section 383(2) of the Companies Act 2014.

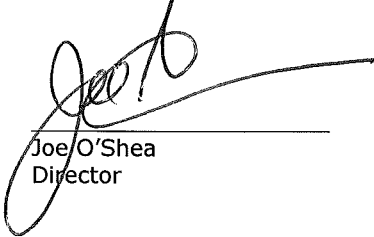
DISCLOSURE OF INFORMATION TO AUDITORS

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: 24 April 2017

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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 ("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

We have audited the financial statements of Mercy University Hospital Cork Company Limited by Guarantee for the financial year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and related notes 1 to 26. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework").

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 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 auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also have a responsibility under ISA 570 (UK and Ireland) to include an emphasis of matter paragraph in our audit report where we conclude that the use of the going concern assumption is appropriate but that a material uncertainty exists relating to events or conditions that may cast significant doubt on the reporting entity's ability to continue as a going concern.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 Reports and Financial Statements for the financial year ended 31 December 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 assets, liabilities, and financial position of the company as at 31 December 2016 and of the deficit of the company 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.

Emphasis of Matter – 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.

Matters on which we are required to report by the Companies Act 2014

- 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.

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INDEPENDENT AUDITORS REPORT

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

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.

Other matters

On 17/5/17 we reported separately on the financial statements of Mercy University Hospital prepared for submission to the Department of Health.



Honor Moore

For and on behalf of Deloitte

Chartered Accountants and Statutory Audit Firm

Cork

Date: 17/5/17

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 €	2015 €
Turnover – continuing operations	4	<u>94,162,085</u>	<u>92,652,489</u>
Costs			
Payroll and related costs	5	(65,932,889)	(63,965,022)
Non payroll costs		(29,156,382)	(27,311,793)
Depreciation		(3,270,316)	(3,245,722)
Grant amortisation		<u>2,471,463</u>	<u>2,319,010</u>
Total operating costs		<u>(95,888,124)</u>	<u>(92,203,527)</u>
Operating (deficit)/surplus– continuing operations		(1,726,039)	448,962
Finance costs (net)	7	<u>(77,329)</u>	<u>(145,843)</u>
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(1,803,368)	303,119
Tax on (deficit)/surplus on ordinary activities	8	<u>-</u>	<u>-</u>
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(1,803,368)</u>	<u>303,119</u>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**


	Notes	2016 €	2015 €
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,803,368)	303,119
Donated assets received		<u>222,592</u>	<u>235,293</u>
TOTAL COMPREHENSIVE INCOME RELATING TO THE YEAR		<u>(1,580,776)</u>	<u>538,412</u>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016 €	As restated 2015 €
FIXED ASSETS			
Tangible assets	9	<u>51,934,217</u>	<u>52,471,068</u>
CURRENT ASSETS			
Stocks	10	2,268,069	2,066,484
Debtors	11	11,406,445	12,814,254
Cash at bank and in hand		<u>12,670</u>	<u>7,802</u>
		13,687,184	14,888,540
CREDITORS – Amounts falling due within one year	12	<u>(16,922,795)</u>	<u>(16,883,093)</u>
NET CURRENT LIABILITIES		<u>(3,235,611)</u>	<u>(1,994,553)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		48,698,606	50,476,515
CAPITAL GRANTS	13	(40,012,119)	(40,196,565)
Creditors: Amounts falling due after one year	14	<u>(29,738)</u>	<u>(42,425)</u>
NET ASSETS		<u>8,656,749</u>	<u>10,237,525</u>
CAPITAL AND RESERVES			
Profit and loss account	16	(3,097,891)	(2,206,511)
Revaluation reserve	16	10,037,879	10,705,611
Donated assets reserve	16	<u>1,716,761</u>	<u>1,738,425</u>
SHAREHOLDERS' FUNDS		<u>8,656,749</u>	<u>10,237,525</u>

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


Michael O'Sullivan
Director


Joe O'Shea
Director

Date: 24 April 2017

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Profit and loss account €	Revaluation reserve €	Donated asset reserve €	Total €
Balance at 31 December 2014	(2,399,280)	11,373,343	1,825,129	10,699,192
Prior year adjustment (note 25)	<u>(1,000,079)</u>	-	-	<u>(1,000,079)</u>
Balance at 1 January 2015 as restated	(3,399,359)	11,373,343	1,725,129	9,699,113
Donated assets in year	-	-	235,293	235,293
Surplus for the year	303,119	-	-	303,119
Transfer from donated asset reserve	221,997	-	(221,997)	-
Transfer from revaluation reserve	<u>667,732</u>	<u>(667,732)</u>	-	-
Balance at 31 December 2015	<u>(2,206,511)</u>	<u>10,705,611</u>	<u>1,738,425</u>	<u>10,237,525</u>
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>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 €	2015 €
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	<u>114,721</u>	<u>804,315</u>
INVESTING ACTIVITIES			
Interest expense and similar charges		(77,329)	(145,830)
Payments to acquire tangible assets		<u>(2,510,874)</u>	<u>(1,955,868)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(2,588,203)</u>	<u>(2,101,698)</u>
FINANCING ACTIVITIES			
Finance lease payments		(17,145)	(29,146)
Capital grants received		<u>2,287,017</u>	<u>1,256,000</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>2,269,872</u>	<u>1,226,854</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(203,610)	(70,529)
Cash and cash equivalents at start of year		<u>(3,506,423)</u>	<u>(3,435,894)</u>
Cash and cash equivalents at end of year		<u>(3,710,033)</u>	<u>(3,506,423)</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash		12,670	7,802
Bank overdraft		<u>(3,722,703)</u>	<u>(3,514,225)</u>
		<u>(3,710,033)</u>	<u>(3,506,423)</u>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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. 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 2016**

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 2016**

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 2016**

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 directors note that the company recorded a deficit of €1,803,368 (2015: surplus of €303,119) in the financial year ended 31 December 2016. The company continues to face challenges including the expected growth in the existing level of services, pay increments and restoration of pay under the Lansdown Road Agreement and expected usage in drugs.

As of 31 December 2016, the company's net current liabilities amounted to €3,235,611 (2015: €1,994,553). These conditions indicate the existence of uncertainties that may cast doubt on the company's ability to continue as a going concern.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. BASIS OF PREPARATION – FINANCIAL STATEMENTS – continued

The company is dependent on an annual income determination from the Health Service Executive ("HSE") to meet the majority of its annual operating costs. Based on discussions with HSE and past experience, the directors are confident that adequate funding to enable the company to provide services for at least one year from the date of approval of the financial statements will be provided.

Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that may arise 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:

	2016 €	2015 €
HSE determination	72,970,510	70,660,506
Patient income	18,591,592	18,594,056
Pension contributions and levy (net)	1,383,610	2,135,357
Other income	<u>1,216,373</u>	<u>1,262,570</u>
	<u>94,162,085</u>	<u>92,652,489</u>

5. EMPLOYEES AND REMUNERATION

	2016 No.	2015 No.
The average number of employees during the year were:		
Management & administration	158	179
Medical/dental	143	148
Nursing	396	381
Health and social care professionals	126	128
General support services	109	107
Other patient and client care	<u>106</u>	<u>87</u>
	<u>1,038</u>	<u>1,030</u>

PAYROLL AND RELATED COSTS

	2016 €	2015 €
Wages and salaries	60,313,548	58,301,761
Social security costs	5,293,576	5,103,357
Gratuities and lump sums	<u>325,765</u>	<u>559,904</u>
	<u>65,932,889</u>	<u>63,965,022</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 €489,312 (2015: €453,650).

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

6. (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	2016 €	2015 €
(Deficit)/surplus on ordinary activities before taxation is stated after charging:		
Auditor's remuneration		
- audit of individual accounts (incl. VAT)	29,520	27,500
- taxation advisory services	-	-
- non audit services	-	-
- other services	-	-
Depreciation of tangible assets	3,270,316	3,245,722
Amortisation of capital grants	<u>(2,471,463)</u>	<u>(2,319,010)</u>

7. FINANCE COSTS (NET)	2016 €	2015 €
Interest payable and similar charges	<u>77,329</u>	<u>145,843</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 2016	72,930,192	11,593,500	35,222,392	13,475,923	133,222,007
Additions	<u>1,014,035</u>	-	<u>1,582,211</u>	<u>137,219</u>	<u>2,733,466</u>
At 31 December 2016	<u>73,944,227</u>	<u>11,593,500</u>	<u>36,804,603</u>	<u>13,613,142</u>	<u>135,955,472</u>
Accumulated depreciation					
At 1 January 2016	31,112,375	6,593,500	29,769,005	13,276,059	80,750,939
Depreciation charge for year	<u>1,826,396</u>	-	<u>1,149,347</u>	<u>294,573</u>	<u>3,270,316</u>
At 31 December 2016	<u>32,938,771</u>	<u>6,593,500</u>	<u>30,918,352</u>	<u>13,570,632</u>	<u>84,021,255</u>
Net book value					
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>
At 31 December 2015	<u>41,817,817</u>	<u>5,000,000</u>	<u>5,453,387</u>	<u>199,864</u>	<u>52,471,068</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 €94,417 (2015: €113,564) which were acquired by way of finance lease. Assets to the value of €7,979,655 (2015: €6,363,656) 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 2016**

9. TANGIBLE ASSETS	Land & buildings €	Development in progress €	Plant & equipment €	Fixtures & fittings €	Total €
In respect of prior year					
Cost/valuation					
At 1 January 2015	72,148,348	11,593,500	34,276,885	13,012,126	131,030,859
Additions	1,179,844	-	998,507	12,797	2,191,148
Transfers	(398,000)	-	(53,000)	451,000	-
At 31 December 2015	<u>72,930,192</u>	<u>11,593,500</u>	<u>35,222,392</u>	<u>13,475,923</u>	<u>133,222,007</u>
Accumulated depreciation					
At 1 January 2015	29,294,388	6,593,500	28,623,192	12,994,137	77,505,217
Depreciation charge for year	<u>1,817,987</u>	<u>-</u>	<u>1,145,813</u>	<u>281,922</u>	<u>3,245,722</u>
At 31 December 2015	<u>31,112,375</u>	<u>6,593,500</u>	<u>29,769,005</u>	<u>13,276,059</u>	<u>80,750,939</u>
Net book value					
At 31 December 2015	<u>41,817,817</u>	<u>5,000,000</u>	<u>5,453,387</u>	<u>199,864</u>	<u>52,471,068</u>
At 31 December 2014	<u>42,853,960</u>	<u>5,000,000</u>	<u>5,653,693</u>	<u>17,989</u>	<u>53,525,642</u>
10. STOCKS			2016 €	2015 €	
Drugs and medicines			611,996	503,595	
Medical and surgical supplies			<u>1,656,073</u>	<u>1,562,889</u>	
			<u>2,268,069</u>	<u>2,066,484</u>	
The replacement cost of stock does not differ materially from its balance sheet value.					
11. DEBTORS – amounts falling due within one year			2016 €	2015 €	
HSE – amounts receivable			5,527,311	6,814,013	
Patient debtors			3,636,082	4,366,507	
Other debtors			1,497,318	883,553	
Prepayments			<u>745,734</u>	<u>750,181</u>	
			<u>11,406,445</u>	<u>12,814,254</u>	
12. CREDITORS – amounts falling due within one year			2016 €	As restated 2015 €	
Trade creditors			5,027,992	4,945,026	
PAYE and social welfare			2,197,537	3,418,505	
VAT			33,973	31,143	
Accrued expenses			5,638,476	4,415,161	
Other creditors			238,148	513,815	
Professional services withholding tax			51,598	28,391	
Finance lease creditor			12,368	16,827	
Bank overdraft			<u>3,722,703</u>	<u>3,514,225</u>	
			<u>16,922,795</u>	<u>16,883,093</u>	
Creditors for taxation and social welfare included above			<u>2,283,108</u>	<u>3,478,039</u>	

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

13. CAPITAL GRANTS	2016 €	2015 €
Grants received from HSE:		
Balance at 1 January	40,196,565	41,259,575
Received during the year	2,287,017	1,256,000
Transfer to profit and loss account	<u>(2,471,463)</u>	<u>(2,319,010)</u>
Balance at 31 December	<u>40,012,119</u>	<u>40,196,565</u>

14. CREDITORS: amounts falling due after one year	2016 €	2015 €
Finance lease creditor	<u>29,738</u>	<u>42,425</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.

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.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

18. PENSIONS - continued

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 €2,112,303 (2015: €2,227,133) were credited to the profit and loss account and pension payments of €3,388,217 (2015: €3,412,711) and lump sum payment of €325,965 (2015: €559,904) 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 2016 amounted to €582,667 (2015: €353,151).

19. FINANCIAL INSTRUMENTS

	2016 €	2015 €
Financial assets		
<i>Measured at undiscounted amounts receivable</i>		
Patient debtors – Note 11	3,636,082	4,366,507
HSE – Amounts receivable – Note 11	<u>5,527,311</u>	<u>6,814,013</u>
	<u>9,163,393</u>	<u>11,180,520</u>
Financial liabilities		
<i>Measured at amortised cost</i>		
Bank overdraft – Note 12	3,722,703	3,514,225
Obligations under finance leases – Note 21	<u>42,106</u>	<u>59,252</u>
<i>Measured at undiscounted amounts payable</i>		
Trade and other creditors – Note 12	<u>9,693,520</u>	<u>8,360,108</u>
	<u>13,458,329</u>	<u>11,933,585</u>

20. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2016 €	2015 €
Operating (deficit)/surplus	(1,726,039)	448,962
Depreciation	3,270,316	3,245,722
Amortisation of grants	(2,471,463)	(2,319,010)
Increase in stock	(201,585)	(69,099)
Decrease in debtors	1,407,809	1,297,151
Decrease in creditors	<u>(164,317)</u>	<u>(1,799,411)</u>
Net cash inflow from operating activities	<u>114,721</u>	<u>804,315</u>

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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:

	2016 €	2015 €
No later than one year	393,250	568,706
Later than one year and not later than five years	964,250	1,236,333
Later than five years	<u>649,000</u>	<u>1,006,250</u>

(ii) Finance leases

	2016 €	2015 €
Due within one year	12,368	16,827
Due after one year	<u>29,738</u>	<u>42,425</u>
	<u>42,106</u>	<u>59,252</u>

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 2016.

	€
Salary and non pay costs	162,698
Assets purchased and donated to the hospital	<u>222,592</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. PRIOR YEAR ADJUSTMENT

The prior year adjustment arises as a result of a decision by the company to accrue for holiday pay entitlements in accordance with the requirements of Section 28.3 of FRS 102. The effect of the adjustment is an increase in accruals at 31 December 2014 of €1,000,079 and a corresponding reduction in revenue reserves.

MERCY UNIVERSITY HOSPITAL CORK COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 24 June 2017