SIGNED
COPY

The Cheshire Foundation in Ireland
Cheshire Ireland (a company limited by guarantee)

Directors' Report and Financial Statements

Financial Year Ended 31 December 2016

CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors

Eoin O'Morain (Chairman)
Michael O'Mahony (Vice Chairman)
Vivienne Bradley
Maeve Nolan
Diane Davison
Gary Britton

Bankers

Bank of Ireland
Lower Baggot Street
Dublin 2

AIB Bank
Bank Centre
Ballsbridge
Dublin 4

Ulster Bank
Blackrock Branch
Blackrock
Co Dublin

Danske Bank
1 Airton Close
Airton Road
Dublin 24

Solicitors

McCann Fitzgerald
Riverside One
Sir John Rogerson's Quay
Dublin 2

Secretary and Registered Office

Mr Mark Blake-Knox
Block 4
Bracken Business Park
Bracken Road
Sandyford Industrial Estate
Dublin 18

Company Registration Number: 20165

Registered Charity Number: 20008321

CHY (Revenue) Number: CHY5484

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

Statement of directors' responsibilities
The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of the company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the company for the financial year.

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

- select suitable accounting policies 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 applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain 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; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors 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 responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounting records
The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are maintained at Block 4, Bracken Business Park, Bracken Road, Sandyford Industrial Estate, Dublin 18.

Principal activities and review of the business
Cheshire Ireland is a not for profit organisation and a registered charity which provides a range of supported accommodation, respite and other support services to adults with neurological conditions and physical disabilities. The Health Service Executive (HSE) funds Cheshire Ireland directly to provide support services to people with disabilities living in residential group homes, supported housing and in their own homes, based on the agreement of annual service arrangements and plans.

DIRECTORS' REPORT - continued

Result for the year
The deficit for the financial year amounted to €3,025,210 (2015: deficit €1,416,950).

What we do and who we serve
In 2016, the organisation operated in over 20 locations nationwide and employed over 780 individuals (whole time equivalent number of circa 470). During 2016, Cheshire Ireland provided a combination of supported accommodation places, 'own home' social support services together with respite breaks in a number of locations around the country to over 270 individuals.

In excess of 90% of Cheshire Ireland's core funding comes from the HSE. The remaining funding is generated through a combination of other state funding, donations, service user contributions and ward of court applications.

How we aspire to do our work
We are committed to developing our staff, facilities and management processes to ensure we have the capability, knowledge and skills required to deliver cost effective, quality services in ways that respect every person's rights, personal choice and individuality.

Cheshire Ireland is committed to delivering person-centred, individualised services to its client group. This will be implemented through the design of services with each person who may be newly referred to us and in time with people living in our accommodation centres who wish to move to other living environments. In designing a service with an individual it is essential that we work with his/her circle of support, including key family members and friends, with advocates, with the HSE and other community and/or voluntary groups where necessary. As part of this service design process, we have learned that very few people with disabilities now choose to get their supports in large shared-living environments, but prefer either to continue living with their families, in their own homes or in adapted houses close to family and their community. Those who would prefer to share, indicate that their preference is to share with one or two people of similar ages with similar interests, rather than a larger group, many of whom could have little in common.

Corporate Governance
Eoin O'Morain was appointed as Chairman of the Board on 3 November 2014 with Michael O'Mahony being appointed as Vice Chairman having held the position of chairman since 2009.

The Chairman would like to thank all members and former members of the Board for their ongoing commitment to Cheshire Ireland.

Directors Compliance Statement, Companies Act 2014
The directors have introduced a Directors Compliance Statement as required under the Companies Act 2014 for the financial year ended 31 December 2016.

Principal risks and uncertainties and future developments
Cheshire Ireland has been faced with significant challenges in recent years, largely due to the reduction in funding from HSE and increasing competition from private care providers in the market. As a result, it has experienced sizable deficits over the past five years, a position that is not sustainable going forward.

In addition, Cheshire Ireland is faced with the requirement to make a major transition in its operating model in order to meet HSE policy, as set out in "Time to Move on From Congregated Settings", which envisages a move away from residential based care to the provision of support to people with disabilities in a community based setting.

To address the matters above, Cheshire Ireland's management have developed a comprehensive strategy and business plan for the years 2014-2019 which has the following core objectives:

- Restore Cheshire Ireland to being a financially stable organisation;
- Remodel Cheshire Ireland's activities over time to a new operating model focused substantially on provision of care in a community setting; and
- Enable Cheshire Ireland to compete in the market with private sector companies, particularly for new business opportunities.

DIRECTORS' REPORT - continued

Principal risks and uncertainties and future developments - continued
To assist the Company in achieving those core objectives, the directors commissioned an internal review of the Company's management structure and arising from this review a new Executive Team was put in place to lead the implementation of the plan.

The Directors are satisfied that the successful implementation of the plan will enable the company to operate on a financially sustainable basis, subject to the provision of adequate funding by the HSE during the implementation period and thereafter.

In this regard, the directors acknowledge receipt of supplementary funding during 2017, amounting to €2,000,000 which enabled to company to maintain the provision of services and meet its obligations as they fell due.

The directors have obtained from the HSE a commitment to continue the provision of financial support during 2018 in order to facilitate the continuation of services and to enable the company to meet its obligations as they fall due.

The HSE continues to engage with the Board of Cheshire Ireland on the basis of a Reform programme that includes an organisational merger process. In this context, the National Social Care Division has and continues to support Cheshire Ireland with operational cash flow so that services are maintained whilst the merger process progresses to a conclusion.

Accordingly the directors are satisfied that the financial statements are prepared on a going concern basis.

Regulation of Cheshire residential services
Since 2013 most of Cheshire Ireland's residential services are now deemed as designated centres under the Health Act 2007 (Registration of Designated Centres for Children and Adults) with Disabilities Regulations 2013. As a consequence these designated centres must work and take actions to become registered with HIQA and to become compliant with the regulations and the national standards for residential services for children and adults with disabilities 2013. The work towards registration and becoming compliant with the regulations and standards is in process and Cheshire Ireland will continue to strive to improve the quality of all services it provides.

Transactions involving directors
There are no contracts or arrangements of any significance in relation to the business of the company in which the directors had any interest, as defined in the Companies Act 2014, at any time during the year ended 31 December 2016.

Political donations
There were no political donations in the year requiring disclosure.

Freedom of Information Act, 2014
Cheshire Ireland operates in accordance with the Act. Requests for information should be addressed to the FOI Officer, Cheshire Ireland, Block 4, Bracken Business Park, Bracken Road, Sandyford, Dublin 18.

Subsequent events
There were no subsequent events since 31 December 2016.

Directors' and secretary's interests in shares and debentures
The directors and secretary had no interests in the shares or debentures of the company or any other related company at 31 December 2016.

Dividends
No dividends are proposed.

Research and development
The company does not carry at any commercial research and development.

DIRECTORS' REPORT - continued

Branches

The company does not have any branches outside Ireland. A list of the company locations is included at note 19.

Auditors

The auditors, PricewaterhouseCoopers, were re-appointed during the year and will continue as auditors in accordance with section 160 of the Companies Act, 2014.

Directors

Eoin O'Morain Michael O'Mahony

28 May 2018

pwc

Independent auditors' report to the members of The Cheshire Foundation in Ireland

Report on the financial statements

Our opinion

In our opinion, The Cheshire Foundation in Ireland's financial statements (the "financial statements"):

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 5 to the financial statements concerning the company's ability to continue as a going concern. The company is dependent on the receipt of adequate funding from the Health Service Executive (HSE) in order to continue the provision of services and meet it's obligations as they fall due. The directors are satisfied that the HSE is committed to the provision of the required funding for the foreseeable future. Our opinion is not modified in respect of this matter. These conditions, along with the other matters explained in note 5 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about 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.

What we have audited

The financial statements, included within the Directors' Report and Financial Statements, comprise:

- the Balance Sheet as at 31 December 2016;
- the Income and Expenditure Account and Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

pwc

Matter on which we are required to report by exception

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

pwc

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements 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.

Paul Hennessy
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
8 June 2018

INCOME AND EXPENDITURE ACCOUNT
For the Financial Year Ended 31 December 2016

	Notes	2016 €	2015 €
Income	6	27,865,042	27,682,343
Operating expenditure			
Salaries and wages	7	(24,209,213)	(22,502,432)
Other operating expenses		(6,284,669)	(5,794,088)
Interest payable and similar charges		(28,212)	(28,235)
Operating deficit before redundancy costs and disposal of fixed assets		(2,657,052)	(642,412)
Redundancy costs	9	(588,853)	(59,591)
Loss on disposal of fixed assets	9	-	(709,277)
Operating deficit before depreciation and amortisation		(3,245,905)	(1,411,280)
Depreciation	10	(545,126)	(738,765)
Amortisation of fixed asset grants		593,932	575,436
Amortisation of capital funding reserves		171,888	157,659
Operating deficit for financial year	8	(3,025,210)	(1,416,950)

STATEMENT OF COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2016

	Note	2016 €	2015 €
Deficit for the financial year	8	(3,025,210)	(1,416,950)
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		(3,025,210)	(1,416,950)

BALANCE SHEET
As at 31 December 2016

	Notes	2016 €	2015 €
Fixed assets			
Tangible assets	10	17,022,849	16,959,487
		17,022,849	16,959,487
Current assets			
Debtors and prepayments	11	1,405,408	1,485,375
Cash at bank and in hand		4,708,294	7,249,166
		6,113,702	8,734,541
Creditors (amounts falling due within one year)	12	(4,910,420)	(3,727,144)
Net current assets		1,203,282	5,007,397
Total assets less current liabilities		18,226,131	21,966,884
Creditors (amounts falling due after more than one year)	13	(368,595)	(381,850)
		17,837,536	21,585,034
Capital and reserves			
Represented by			
Revenue reserves		(3,229,793)	(204,583)
Special reserve		526,540	526,540
Capital funding reserve		4,267,326	4,439,214
Capital grants reserve		22,846,128	23,428,439
Fundraising, bequests and donations reserve		843,197	791,286
Community transition reserve		3,621,865	3,621,865
FRS 102 transition reserve		(11,017,727)	(11,017,727)
Total equity		17,837,536	21,585,034

On behalf of the board

Eoin O'Morain

Michael O'Mahony

STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2015

	Revenue reserve	Community transition reserve	Capital grants reserve	Fundraising, bequests and donation reserve	Transition reserve	Special reserve
	€	€	€	€	€	€
Balance at 1 January 2015	500,612	5,590,235	3,340,258	533,937	24,071,373	521,540
(Loss) for the financial year	(1,416,950)	-	-	-	-	-
Other comprehensive income for the financial year	-	-	-	-	-	-
Total comprehensive income for the financial year	(1,416,950)	-	-	-	-	-
Transfer from profit and loss account	(281,607)	-	281,607	-	-	-
Capital grant reserves	-	-	-	-	60,125	-
Amortisation	-	-	-	-	(703,059)	-
Net receipts	-	(157,659)	-	257,349	-	-
Transfer to profit and loss account	993,362	(993,362)	-	-	-	-
Total transactions recognised directly in equity	711,755	(1,151,021)	281,607	257,349	(642,934)	-
Balance at 31 December 2015	(204,583)	4,439,214	3,621,865	791,286	23,428,439	526,540

STATEMENT OF CHANGES IN EQUITY - continued
For the Financial Year Ended 31 December 2016

	Revenue reserve	Capital funding reserve	Community transition reserve	Fundraising, bequests and donation reserve	Transition reserve	Special reserve
	€	€	€	€	€	€
Balance at 1 January 2016	(204,583)	4,439,214	3,621,865	791,286	23,428,439	526,540
Loss for the financial year	(3,025,210)	-	-	-	-	-
Other comprehensive income for the financial year	-	-	-	-	-	-
Total comprehensive income for the financial year	(3,025,210)	-	-	-	-	-
Capital grant reserves	-	-	-	-	66,060	-
Amortisation	-	-	-	-	(648,371)	-
Net receipts	-	(171,888)	-	51,911	-	-
Transfer to profit and loss account	-	-	-	-	-	-
Total transactions recognised directly in equity	-	(171,888)	-	51,911	(582,311)	-
Balance at 31 December 2016	(3,229,793)	4,267,326	3,621,865	843,197	22,846,128	526,540

STATEMENT OF CASH FLOWS
For the Financial Year Ended 31 December 2016

	Note	2016 €	2015 €
Cash absorbed by operations	14	(502,582)	(1,349,788)
Income taxes paid		-	-
Net cash absorbed by operating activities		(502,582)	(1,349,788)
Cash flows from investing activities			
Purchases of tangible fixed assets		(608,484)	-
Proceeds from disposal of tangible fixed assets		-	272,777
Proceeds from disposal of fixed asset investment		-	11,776
Interest received		13,769	26,183
Net cash used in investing activities		(594,715)	310,736
Cash flows from financing activities			
Capital grants received		66,060	60,125
Repayment of bank borrowings		(13,255)	(10,337)
Other receipts - net		-	129,728
Interest paid		(28,212)	(28,235)
Net cash generated by financing activities		24,593	151,281
Net decrease in cash and cash equivalents		(1,072,704)	(887,771)
Cash and cash equivalents at 1 January		5,748,692	6,636,463
Cash and cash equivalents at 31 December - net		4,675,988	5,748,692
Cash and cash equivalents consists of:			
Cash at bank and in hand		4,708,294	7,249,166
Bank overdraft		(32,306)	(1,500,474)
Cash and cash equivalents - net		4,675,988	5,748,692

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Cheshire Foundation in Ireland ('the company') is a not for profit organisation and a registered charity which provides a range of supported accommodation, respite and other support services to adults with neurological conditions and physical disabilities. The HSE funds Cheshire Ireland directly to provide support services to people with disabilities living in residential group homes, supported housing and in their own homes, based on the agreement of annual service arrangements and plans.

The Cheshire Foundation in Ireland is incorporated as a company limited by guarantee in the Republic of Ireland. The address of its registered office is Block 4, Bracken Business Park, Bracken Road, Sandyford Industrial Estate, Dublin 18.

These financial statements are the company's separate financial statements for the financial year beginning 1 January 2016 and ending 31 December 2016.

2 Statement of compliance

The entity financial statements have been prepared on a going concern basis as set out in note 5 and in accordance with Irish GAAP (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102) and the Companies Act 2014.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated

(a) Basis of preparation
The entity financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(b) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the euro, denominated by the symbol "€".

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the end of each financial year foreign currency monetary items are translated to Euro using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate. All other foreign exchange gains and losses are presented in the profit and loss account within 'other expensing expenses'.

(c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Bank deposits which have original maturities of more than three months are not cash and cash equivalents and are presented as current asset investments.

(d) Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and cash equivalents, short-term deposits and investments in corporate bonds, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, investments in corporate bonds and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(d) Financial instruments - continued

(i) Financial assets - continued

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such financial assets are subsequently measured at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are subsequently measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors, bank loans, loans from fellow group companies, preference shares and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is treated as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as financial liabilities. The dividends on these preference shares are recognised in profit or loss within 'interest payable and similar charges'.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(d) Financial instruments - continued

(iii) Derivatives

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The company does not apply hedge accounting for interest rate swaps or forward foreign exchange contracts.

(iv) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(e) Employee benefits

The company provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of a defined contribution pension plan).

(i) Short term employee benefits

Short term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(ii) Post-employment benefits

Defined contribution plan

The company operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the company in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are included in accruals in the balance sheet.

(f) Income tax

As a registered charity the company is not subject to income tax.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(g) Revenue registration

Donations, bequests and gifts

Donations, bequests and gifts used for specific revenue purposes are shown as income in the relevant accounting period in which the related expenditure is incurred.

Donations, bequests and gifts received for prescribed purposes are applied as prescribed unless the Company is not in a position to do so. In such circumstances they are applied for the overall charitable objectives of the Company as determined by the directors.

Capital donations, bequests and gifts are credited to the Capital Funding Reserve and amortised/released to the Income and Expenditure Account on the same basis as the related asset is depreciated.

General donations, bequests and gifts are credited to the Fundraised, bequests and donations reserve.

(h) Fixed assets and depreciation

Purchased fixed assets are recorded at cost. Fixed assets received by way of gift are capitalised at a reasonable estimate of their value to the company.

Land and buildings are stated at cost. Land is not depreciated. Depreciation on other tangible assets is provided at rates calculated to write off the cost or value of the assets over their estimated useful lives. The rates and methods of depreciation are as follows:

Buildings	2% straight line
Fixtures, fittings, furniture and equipment	12½% straight line
Motor vehicles	20% straight line
Computer equipment	33⅓% straight line

(i) Grants

Grants received to fund capital expenditure, including capital assistance schemes are credited to the Capital Grants Reserve and amortised to the income and expenditure account over the estimated useful lives of the related fixed assets. Grants and assistance to fund non-capital expenditure are credited to income and expenditure in the period in which the related expenditure is incurred. Grants and assistance due but not received at year end are included as "Grants receivable" in the balance sheet. Grants and assistance received which relate to the funding of expenditure not incurred at year end are deferred and included under "Grants received in advance" in the balance sheet.

(j) Leases

Operating lease costs are charged to the income and expenditure account as incurred.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the entity's accounting policies
The following judgement, apart from those involving estimates, made by the directors has had significant effect on the amounts recognised in the entity financial statements;

(i) Freehold land and buildings
Property is stated at cost.

As part of the transition to FRS 102 the directors considered the cost based carrying values of freehold property and concluded, after detailed consideration and based on professional advice, that they were in excess of existing use value.

(b) Critical accounting estimates and assumptions
The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible fixed assets
The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the tangible fixed assets, and note 3(h) for the useful economic lives for each class of tangible fixed assets.

(ii) Impairment of debtors
The directors make an assessment at the end of each financial year of whether there is objective evidence that a debtor is impaired. When assessing impairment of debtors, the directors consider factors including the current credit rating of the debtor, the age profile of outstanding invoices, recent correspondence, and historical experience of cash collections from the debtor. See note 11 for the net carrying amount of the debtors.

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Going concern

The company recorded a deficit of €3 million for the year ended 31 December 2016 and the company's balance sheet at that date showed total assets of €23 million and total liabilities of €5.28 million.

During 2017 the company continued to operate at a deficit and the company's management accounts for the year ended 31 December 2017 record a deficit of €2.6 million and net assets of €11.2 million. Management accounts show a net cash out flow of €1.004 million in the four months to 30 April 2018.

In the circumstances the Directors confirm that the company is dependent on the provision of adequate funding from the Health Service Executive in order to continue in operation and meet its day to day obligations as they fall due.

In this regard, during 2017, the company's annual budget allocation from the Health Service Executive of €24.7 million was supplemented by the provision of additional incremental funding amounting to €2 million which enabled the company to continue operations for the year ended 31 December 2017.

The Health Service Executive has confirmed to the company that during 2018, it will continue to support the company with the provision of the necessary operational cash flow funding so that services are maintained and the company can meet its day to day obligations as they fall due.

The Directors are satisfied that based on the Health Service Executives provision of the necessary supplementary financial support during 2017 and its commitment to continue to support the company with its operational cash flow requirements during 2018, the company will be able to continue operations and meet its day to day obligations as they fall due for the foreseeable future (i.e. not less that twelve months from the date of signing these financial statements).

On the basis outlined above, the Directors confirm they are satisfied it is appropriate, that these accounts are prepared on the going concern basis.

6 Income

	2016 €	2015 €
Health Service Executive (HSE) funding	25,211,436	24,624,736
FAS income	763,302	789,598
Receipts from service users	883,344	973,604
Deposit interest and other investment income	13,769	26,183
EU and other public funds	42,356	373,592
Sundry income	531,505	238,397
Ward of court	225,979	227,121
Fundraising, bequests and donations	124,902	113,961
St. Mary's Project	-	187,527
Transfer from capital grants	68,449	127,623
	27,865,042	27,682,343

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Particulars of staff

	2016 Number	2015 Number
The average number of persons employed by the company during the financial year was:	477	460

The Senior Management Team of Cheshire Ireland was paid based on Department of Health and Children/Civil Service consolidated pay scales that were introduced on 1 January 2010.

From 1 July 2014, the Senior Management Team salaries were aligned to those applicable under the Haddington Road Agreement. The following tables sets out the salary range for those paid in excess of €65,000 in 2016 along with employer pension contributions and other benefits.

	Salary Range €	Employer's pension contribution €	Other benefits (company vehicle) €
Number of staff			
2	65,000 – 70,000	4,846	-
2	70,001 – 75,000	10,069	-
1	75,001 – 80,000	5,353	-
1	85,001 – 90,000	-	-
1	110,000 – 115,001	11,894	8,270

	2016 €	2015 €
Staff costs comprise:		
Wages and salaries	21,208,249	19,759,861
Social insurance costs	2,216,210	2,092,233
Defined contribution scheme pension costs	784,754	650,338
	24,209,213	22,502,432

8 Operating deficit for the financial year

	2016 €	2015 €
Operating deficit for the year is stated after charging:		
Directors' remuneration	Nil	Nil

Auditors' remuneration
Remuneration (including expenses) for the statutory audit and other services carried out by the company's auditors is as follows:

	2016 €	2015 €
Audit of individual financial statements	78,257	55,222
Other assurance services	-	-
Tax advisory services	-	-
Other non audit services	-	-
	78,257	55,222

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Redundancy costs and (loss)/profit on disposal of fixed assets

Redundancy costs

The company incurred redundancy costs of €588,853 (2015: €59,591) in the year to 31 December 2016, including €306,520 in settlement of a claim brought by the former CEO. This amount was paid in 2017.

Profit/(loss) on disposal of fixed assets

There were no fixed asset disposals in 2016

10 Tangible assets

	Land and buildings	Fixtures, fittings, furniture and equipment	Motor vehicles	Computer equipment	Total
	€	€	€	€	€
Cost or valuation					
At 31 December 2015	30,301,485	7,208,960	1,862,007	652,782	40,025,234
Additions	253,350	278,546	51,696	24,896	608,488
Disposals	-	-	-	-	-
At 31 December 2016	30,554,835	7,487,506	1,913,703	677,678	40,633,722
Accumulated depreciation					
At 31 December 2015	14,161,485	6,423,210	1,834,607	646,445	23,065,747
Charge for year	279,743	238,855	18,230	8,298	545,126
Disposals	-	-	-	-	-
At 31 December 2016	14,441,228	6,662,065	1,852,837	654,743	23,610,873
Net book value					
At 31 December 2015					
Cost	30,301,485	7,208,960	1,862,007	652,782	40,025,234
Accumulated depreciation	(14,161,485)	(6,423,210)	(1,834,607)	(646,443)	(23,065,747)
	16,140,000	785,750	27,400	6,337	16,959,487
At 31 December 2016					
Cost	30,554,835	7,487,506	1,913,703	677,678	40,633,722
Accumulated depreciation	(14,441,228)	(6,662,065)	(1,852,837)	(654,743)	(23,610,873)
	16,113,607	825,441	60,866	22,935	17,022,849

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors and prepayments

	2016	2015
	€	€
Amounts due from Health Service Executive	749,830	861,396
Prepaid expenses and other debtors	652,653	623,979
Amounts due from service users	2,925	-
	1,405,408	1,485,375

Debtors are stated after impairment of €139,957 (2015: €119,578).

12 Creditors (amounts falling due within one year)

	2016	2015
	€	€
Bank loans and overdrafts	32,306	1,500,474
Trade creditors	1,579,342	(471,902)
Health Service Executive - deferred income	1,091,541	1,116,901
Taxation and social insurance costs – PAYE/PRSI	685,649	669,730
Accruals	1,521,582	911,941
	4,910,420	3,727,144

Certain suppliers have reserved title to goods supplied. Since the extent to which these creditors are effectively secured at any time depends on a number of conditions, the validity of some of which is not readily determinable, it is not possible to indicate how much of the above amount was effectively secured by reservation of title.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

Trade and other creditors are payable at various dates in accordance with the suppliers usual and customary credit terms.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Creditors (amounts falling due after more than one year)

	2016 €	2015 €
Bank loan	368,595	381,850
Maturity of debt		
In one year or less, or on demand	31,572	31,572
In more than one year, but not more than two years	63,144	63,144
In more than two years, but not more than five years	157,860	157,860
In more than five years	116,019	129,274
	368,595	381,850

Ulster Bank has a registered charge on three properties as security to the above loan.

The company's total bank loans at 31 December 2016 were €400,167 (2015: €413,422), representing borrowings drawn down under the company's term loan. The loan is subject to interest at a rate of 3.5% plus bank cost of funds (2015: 3.5%). The loan is due for repayment in quarterly instalments over the next 21 years.

14 Cash absorbed by operations

	2016 €	2015 €
Loss for the financial year	(3,025,210)	(1,416,950)
Net interest expense	14,443	2,052
Amortisation of grants and bequests/donations	(765,820)	(733,095)
Depreciation of tangible fixed assets	545,126	738,765
Loss on disposal of tangible fixed assets	-	709,277
Gain on disposal of shares	-	(11,776)
Working capital movements:		
- decrease/(increase) in debtors	79,695	(473,738)
- increase/(decrease) in creditors	2,649,184	(164,323)
Cash outflow from operating activities	(502,582)	(1,349,788)

15 Taxation

No tax liability arises because of the charitable status of the company.

16 Legal status of the company

(i) In accordance with Section 24 of the Companies Act 2014, the company is exempt from including the word "Limited" in its name. The company is limited by guarantee (€1.27 per member) and has no share capital.

(ii) The company, as a charity, is exempt from the reporting and disclosure requirements of the Companies (Amendment) Act 2014.

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Pension commitments

A defined contribution pension scheme is operated in respect of eligible employees. The assets of the scheme are held separately from those of the Foundation in independently administered funds. The cost of these pension commitments, as outlined in note 3 are; 2016: €784,754 (2015: €650,338).

18 Key management compensation

Key Management is defined in Cheshire Ireland as the Board of Trustees as noted in Directors and Other Information on page 2 of these Financial Statements plus the Executive Team. The Executive Team was established in November 2015 following a review of management structures that were previously in place. The Executive Team of Cheshire Ireland consists of the following positions:

- Chief Executive Officer
- Head of Operations
- Head of Finance
- Head of Human Resources

As the Executive Team has only been in place since 1 November 2015, the information disclosed above relates to those Key Management compensation details referred to in note 3, particulars of staff. However, the individual salaries paid to the Executive Team are in excess of €70,000 per annum and are subject to approval on an annual basis by the Board of Trustees.

The Board of Trustees provide all of their time to Cheshire Ireland on a voluntary basis and receive no expenses of any kind.

The compensation paid or payable to key management for employee services is shown below:

	2016 €'000	2015 €'000
Salaries and other short-term benefits	571,021	497,097
Post-employment benefits	32,162	34,742
Share-based payments	-	-
Total key management compensation	603,183	531,839

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Branches

During 2016 the Foundation carried out its activities principally through the following:

Central Office, Dublin 18
Ardeen Cheshire Home, Shillelagh, Co. Wicklow
Abbey View Residences, Co. Sligo
Blackrock Cheshire, Cross Avenue, Co. Dublin
Cara Cheshire House, Phoenix Park, Dublin 20
Cheshire Community Living – South, at locations in:
- South Dublin City and County
- Co. Wicklow

Cheshire Community Living – North, at locations in:
- North Dublin City and County
- Dundalk, Co. Louth
- Navan, Co. Meath (service provision ceased in Navan in July 2012, however Cheshire still retains ownership of properties in Navan)

Cork Supported Accommodation Service, Cork City and County
Donegal Cheshire Apartments, Letterkenny, Co. Donegal
Eaglewood Cheshire, Dun Laoghaire, Co. Dublin
Community Services, Ballina, Co. Mayo
Galway Cheshire House, Curragrean, Galway
Greystones Cheshire, Greystones, Co. Wicklow
Kerry Cheshire, Killarney, Co. Kerry
Newbridge Respite Centre, Newbridge, Co. Kildare
O'Dwyer Cheshire Home, Bohola, Co. Mayo
Rathfredagh Cheshire Home, Newcastlewest, Co. Limerick
Richmond Cheshire House, Monkstown, Co. Dublin
St. Laurence Cheshire Home, Cork
St. Patrick's Cheshire Home, Tullow, Co. Carlow
Waterford Cheshire, St. John's Hill, Waterford

20 Reserves

Special reserve
The High Court decided on 28 November 2011 that certain funds held by Cheshire Ireland (amounting to €2,791,114) which had restrictions as to their application, could forthwith be applied by Cheshire Ireland without restriction in the furtherance of its general charitable purposes. These funds have been transferred into a Special Reserve account and all proposals in relation to the application of these funds shall require Board approval.

The community transition reserve
The net surplus on the sale of Richmond Cheshire House and the release of the related capital funding reserves and capital grant reserves have been transferred to the Community Transition Reserve.

The Community Transition Reserve has been established to set aside funds to finance the very significant costs of transitioning from congregated to community based settings, in accordance with Board and HSE Policy, "Time to move on from congregated settings". The funding of this reserve may include surpluses realised on the disposal of Congregated properties and transfers from other reserves as the Board may deem appropriate to meet its policy objective.

All proposals related to the application of these funds shall require Board approval.

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Reserves - continued

Capital grants reserve
Deeds of charge have been registered by several Health Services Executive Boards and Local Authorities in respect of grants advanced to a number of the Cheshire centres. Grants may become repayable in the event that the conditions contained in the grant agreements are not adhered to.

21 Approval of the financial statements

The financial statements were approved by the directors on 28 May 2018.