

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

Directors' Report and Financial Statements

Financial Year Ended 31 December 2018

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DIRECTORS AND OTHER INFORMATION

Board of Directors

Eoin O'Morain (Chairman)
Michael O'Mahony (Vice Chairman)
Vivienne Bradley (resigned 21 September 2018)
Maeve Nolan (resigned 28 May 2018)
Diane Davison
Gary Britton (resigned February 2017)

Bankers

Bank of Ireland
Lower Baggot Street
Dublin 2

AIB Bank
Bank Centre
Ballsbridge
Dublin 4

Ulster Bank
Blackrock Branch
Blackrock
Co Dublin

Solicitors

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

Secretary and Registered Office

Mr Tony Nolan
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 2018

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; and
- 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.

Principal activities

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 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

Accounting records

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

Result for the year

The deficit for the financial year amounted to €1,239,089 (2017: deficit €1,922,634).

What we do and who we serve

In 2018, the organisation operated in over 20 locations nationwide and employed over 760 individuals (whole time equivalent number of circa 494). During 2018, Cheshire Ireland provided a combination of supported accommodation places and 'own home' social support services together with respite breaks in a number of locations around the country to nearly 300 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.

Board members

The changes to board membership are set out on page 2.

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

Principal risks and uncertainties and future developments

Cheshire Ireland has been faced with significant challenges in recent years, largely due to increasing competition from private care providers in the market. Insufficient funding levels for a population of service users with significantly increasing needs has also proved to be a major challenge in the current year and, indeed, will continue to be an escalating challenge in the future. The expansion of HIQA's remit to the disability sector brought further increased financial and operational pressure to bear on Cheshire Ireland.

In addition, Cheshire Ireland is faced with the continuing 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".

DIRECTORS' REPORT - continued

Principal risks and uncertainties and future developments - continued

It is likely that there will be limited additional revenue funding to support new developments in the coming years and the primary focus for both the Board and Senior Management will be to ensure the economic stability of the organisation. The Board and Senior Management have entered discussions with the HSE Director of Social Care and his team around the future funding of Cheshire Ireland with a view to ensuring the long term viability of the organisation and its ability to continue providing essential services to current and potential future service users.

The company incurred operational losses in 2018 and, to a smaller extent, in 2019. The company had net current liabilities of €1.6 million at 31 December 2018 (2017: €0.8 million) and net assets at 31 December 2018 of €14.3 million (2017: €15.5 million). The previous reorganisation reduced costs but not to the extent that they were fully in line with revised income levels for 2019, with unaudited management accounts showing a loss for the year ended 31 December 2019 of €0.5 million. For 2020 the company is forecast to breakeven based on committed levels of funding from the Health Service Executive (HSE) agreed in December 2019. The Health Service Executive has confirmed to the company in two letters, including one dated 16 December 2019, that the HSE will honour its funding commitments to the company and work with the company to ensure that services are maintained and are sustainable into the future. Notwithstanding the uncertainties in relation to COVID 19, which have been set out in detail in the post balance sheet events note in these financial statements, on the basis of the financial projections for the period through to 30 April 2021 (which have been updated to reflect management's estimates of the impact of COVID 19), the letters of support from the HSE above and the delivery by HSE of financial commitments that it has made to date, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

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 2018.

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 2018.

Political donations

There were no political donations in the year requiring disclosure.

Subsequent events

Post balance sheet event – covid 19

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The disease was first identified in 2019 in Wuhan, the capital of China's Hubei province, and has since spread globally, resulting in the ongoing 2019–20 coronavirus pandemic. The earliest known infection occurred on 17 November 2019 in Wuhan, China. The World Health Organization (WHO) declared the 2019–20 coronavirus outbreak a Public Health Emergency of International Concern (PHEIC) on 30 January 2020 and a pandemic on 11 March 2020.

We have considered the risks that coronavirus poses to the organisation and the actions we are taking to mitigate the impact. Although all non essential services are temporarily closed in Ireland at this time, the services provided by Cheshire are considered to be essential, and we are continuing to operate all of our services, albeit that we have had to introduce various social distancing and other health and safety protocols in executing our services. At this time, it is unclear how long the government mandated closures and social distancing measures will be in place for, however it is likely that they will continue to impact on how our services are executed for some time.

To date, although we have had a number of suspected cases of COVID 19 in our centres, we have only had 1 confirmed case among our residents, and this individual has since fully recovered. We have a COVID 19 task force in place, which meets virtually every day. Ensuring we have the right level of personal protective equipment (PPE) is a key challenge for us, and one that we are very focused on.

DIRECTORS' REPORT - continued

Subsequent events - continued

Post balance sheet event – covid 19 - continued

We have no experience of a similar crisis so there is no way of predicting the extent that the full effect coronavirus will have on our organisation in general, our clients and the resulting demand for our services. It is not yet clear how widespread the virus will be at any one time, how long the pandemic will last and what the medium to long term effect of this pandemic will be on availability of staff.

Our priority is to do all we can to keep our workplace as safe as possible for staff and residents. We are likely to remain at risk to the possibility that a members of our teams in different centres could go out sick, resulting in the need for other members of the team to self-isolate, and thereby require additional agency staff to fill vacancies. So far, we have been able to fill any such vacancies from within our own staff complement. We are confident based on our discussions with the HSE that all incremental COVID related costs associated with continuing to provide our services during the pandemic will be funded.

We have modelled the likely effects of COVID 19 on our cash forecast for the next 12 months, and we are comfortable, that there is unlikely to be any significant impact on our income sources, and that any incremental COVID related costs will be reimbursed by the HSE. We are not reliant on donation income and any reduction there would have a minimal impact. We do not expect bequests to be impacted.

We have also considered various measures we could take to control costs and conserve cash within the organisation, if certain services were to be temporarily suspended.

Management are comfortable that the forecasts they have prepared have considered a number of sensitivities, including a range of outcomes, and that in all cases their remains sufficient mitigation measures available to management to ensure that cash-flows are managed and that the Organisation can continue to meet its obligations as they fall due for the period of at least 12 months from signing the financial statements.

There will be many challenges to our working practices as the pandemic develops and we are putting plans in place to protect our most vulnerable employees and residents, and to comply with differing levels of Government restrictions and cope with illness throughout the organisation. In particular, we are adapting our procedures to facilitate home working among our administration and finance staff. We are confident that as an organisation we have the ability to manage through this challenging time.

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.

Dividends

No dividends are proposed.

Research and development

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

Branches

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

Business review

As set out in note 5 in the financial statements the environment for the company remains challenging, reflected in the deficit for 2018.

DIRECTORS' REPORT - continued

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

22 April 2020



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

Report on the audit of the financial statements

Opinion

In our opinion, The Cheshire Foundation in Ireland's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2018 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 (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 Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors' Report and Financial Statements, which comprise:

- the Balance Sheet as at 31 December 2018;
 - 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 description of the significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



Reporting on other information

The other information comprises all of the information in the Directors' Report and Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

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.



Other required reporting

Companies Act 2014 opinions on other matters

- 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.
-

Other exception reporting

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.

Aisling Fitzgerald
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
22 April 2020

INCOME AND EXPENDITURE ACCOUNT
For the Financial Year Ended 31 December 2018

	Notes	2018 €	2017 €
Income	6	<u>31,353,467</u>	<u>31,030,536</u>
Operating expenditure			
Salaries and wages	7	(26,471,073)	(26,876,344)
Other operating expenses		(5,361,702)	(5,954,157)
Interest payable and similar charges		<u>(24,157)</u>	<u>(22,522)</u>
Operating (deficit) before redundancy costs		(503,465)	(1,822,487)
Redundancy costs	9	<u>(78,300)</u>	<u>(278,410)</u>
Operating (deficit) before depreciation and amortisation		(581,765)	(2,100,897)
Depreciation	10	(657,324)	(582,765)
Amortisation of fixed asset grants		-	589,140
Amortisation of capital funding reserves		<u>-</u>	<u>171,888</u>
Deficit for financial year	8	<u>(1,239,089)</u>	<u>(1,922,634)</u>

STATEMENT OF COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2018

	Notes	2018 €	2017 €
(Deficit) for the financial year	8	(1,239,089)	(1,922,634)
Other comprehensive income for the financial year		<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>(1,239,089)</u>	<u>(1,922,634)</u>

BALANCE SHEET
As at 31 December 2018

	Notes	2018 €	2017 €
Fixed assets			
Tangible assets	10	<u>16,212,060</u>	<u>16,664,191</u>
		16,212,060	16,664,191
Current assets			
Debtors and prepayments	11	1,436,469	1,929,762
Cash at bank and in hand		<u>1,365,154</u>	<u>1,940,122</u>
		2,801,623	3,869,884
Creditors (amounts falling due within one year)	12	<u>(4,399,206)</u>	<u>(4,664,672)</u>
Net current liabilities		<u>(1,597,583)</u>	<u>(794,788)</u>
Total assets less current liabilities		14,614,477	15,869,403
Creditors (amounts falling due after more than one year)	13	<u>(334,412)</u>	<u>(350,249)</u>
		<u>14,280,065</u>	<u>15,519,154</u>
Capital and reserves			
Represented by			
Revenue reserves		(6,448,455)	(5,152,089)
Special reserve		526,540	526,540
Capital funding reserve		4,095,436	4,095,436
Capital grants reserve		22,291,294	22,291,294
Fundraising, bequests and donations reserve		1,271,760	1,210,567
Community transition reserve		3,561,217	3,565,133
Revaluation		<u>(11,017,727)</u>	<u>(11,017,727)</u>
Total equity		<u>14,280,065</u>	<u>15,519,154</u>

On behalf of the board

Eoin O'Morain

Michael O'Mahony

22 April 2020

STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2018

	Revenue reserve €	Capital funding reserve €	Community transition reserve €	Fundraising, bequests and donation reserve €	Transition reserve €	Special reserve €
Balance at 1 January 2017	<u>(3,229,455)</u>	<u>4,267,324</u>	<u>3,621,865</u>	<u>843,193</u>	<u>22,846,134</u>	<u>526,540</u>
Profit for the financial year	(1,922,634)	-	-	-	-	-
Other comprehensive income for the financial year	-	-	-	-	-	-
Total comprehensive income for the financial year	<u>(1,922,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer from profit and loss account	-	-	-	-	-	-
Capital grant reserves	-	-	-	-	41,800	-
Amortisation	-	-	-	-	(589,140)	-
Proceeds from shares issued	-	-	-	-	-	-
Net receipts	-	(171,888)	(56,732)	367,374	(7,500)	-
Transfer to profit and loss account	-	-	-	-	-	-
Total transactions recognised directly in equity	<u>-</u>	<u>(171,888)</u>	<u>(56,732)</u>	<u>367,374</u>	<u>(554,840)</u>	<u>-</u>
Balance at 31 December 2017	<u>(5,152,089)</u>	<u>4,095,436</u>	<u>3,565,133</u>	<u>1,210,567</u>	<u>22,291,294</u>	<u>526,540</u>

STATEMENT OF CHANGES IN EQUITY - continued
For the Financial Year Ended 31 December 2018

	Revenue reserve €	Capital funding reserve €	Community transition reserve €	Fundraising, bequests and donation reserve €	Transition reserve €	Special reserve €
Balance at 1 January 2018	<u>(5,152,089)</u>	<u>4,095,436</u>	<u>3,565,133</u>	<u>1,210,567</u>	<u>22,291,294</u>	<u>526,540</u>
Deficit for the financial year	(1,239,089)	-	-	-	-	-
Other comprehensive income for the financial year	-	-	-	-	-	-
Total comprehensive income for the financial year	<u>(1,239,089)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receipts transferred to Fundraising Reserve	(61,193)	-	-	61,193	-	-
Transfer from Community Transition Reserve	3,916	-	(3,916)	-	-	-
Total transactions recognised directly in equity	<u>(57,277)</u>	<u>-</u>	<u>(3,916)</u>	<u>61,193</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2018	<u>(6,448,455)</u>	<u>4,095,436</u>	<u>3,561,217</u>	<u>1,271,760</u>	<u>22,291,294</u>	<u>526,540</u>

STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2018

	Notes	2018 €	2017 €
Cash absorbed by operations	14	(353,170)	(3,409,218)
Income taxes paid		-	-
Net cash (absorbed by)/generated from operating activities		<u>(353,170)</u>	<u>(3,409,218)</u>
Cash flows from investing activities			
Purchases of tangible fixed assets		(205,193)	(238,852)
Proceeds from disposal of tangible fixed assets		2,891	91,129
Interest received		1,101	1,411
Net cash used in investing activities		<u>(201,201)</u>	<u>(146,312)</u>
Cash flows from financing activities			
Capital grants received		19,397	41,800
Repayment of bank borrowings		(15,837)	(18,346)
Other receipts - net		-	787,160
Interest paid		(24,157)	(22,522)
Net cash (absorbed by)/generated by financing activities		<u>(20,597)</u>	<u>788,092</u>
Net (decrease) in cash and cash equivalents		(574,968)	(2,767,438)
Cash and cash equivalents at 1 January		<u>1,908,550</u>	<u>4,675,988</u>
Cash and cash equivalents at 31 December		<u>1,333,582</u>	<u>1,908,550</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		1,365,154	1,940,122
Bank overdraft		<u>(31,572)</u>	<u>(31,572)</u>
Cash and cash equivalents		<u>1,333,582</u>	<u>1,908,550</u>

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 2018 and ending 31 December 2018.

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 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, as modified by the measurement of freehold land and buildings at their value in use on transition to FRS 102.

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 value in use. 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 value in use.

(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 incurred operational losses in 2018 and, to a smaller extent, in 2019. The company had net current liabilities of €1.6 million at 31 December 2018 (2017: €0.8 million) and net assets at 31 December 2018 of €14.3 million (2017: €15.5 million). The previous reorganisation reduced costs but not to the extent that they were fully in line with revised income levels for 2019, with unaudited management accounts showing a loss for the year ended 31 December 2019 of €0.5 million. For 2020 the company is forecast to breakeven based on committed levels of funding from the Health Service Executive (HSE) agreed in December 2019. The Health Service Executive has confirmed to the company in two letters, including one dated 16 December 2019, that the HSE will honour its funding commitments to the company and work with the company to ensure that services are maintained and are sustainable into the future. Notwithstanding the uncertainties in relation to COVID 19, which have been set out in detail in the post balance sheet events note in these financial statements, on the basis of the financial projections for the period through to 30 April 2021 (which have been updated to reflect management's estimates of the impact of COVID 19), the letters of support from the HSE above and the delivery by HSE of financial commitments that it has made to date, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

6 Income	2018 €	2017 €
Health Service Executive (HSE) funding	29,047,710	28,117,557
FAS income	739,696	775,547
Receipts from service users	797,908	830,949
Deposit interest and other investment income	1,101	1,411
EU and other public funds	-	29,011
Sundry income	363,717	572,537
Ward of court	263,842	258,985
Fundraising, bequests and donations	126,779	380,307
Transfer from capital grants	12,714	64,232
	<u>31,353,467</u>	<u>31,030,536</u>

7 Particulars of staff	2018 Number	2017 Number
The average number of persons employed by the company during the financial year was:	<u>494</u>	<u>476</u>

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 2018 along with employer pension contributions and other benefits.

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Particulars of staff - continued

	Salary Range €	Employer's pension contribution €	Other benefits (company vehicle) €
Number of staff			
4	65,001 - 70,000	9,943	-
2	70,001 - 75,000	9,073	-
2	75,001 – 80,000	11,151	-
3	80,001 – 85,000	6,486	-

2018
€

2017
€

Staff costs comprise:

Wages and salaries	23,295,839	23,712,136
Social insurance costs	2,521,284	2,433,663
Other retirement benefit costs	653,950	730,545
	<u>26,471,073</u>	<u>26,876,344</u>

Other retirement benefit costs comprise:

Defined contribution scheme pension costs	653,950	730,545
	<u>653,950</u>	<u>730,545</u>

Cheshire Ireland sponsors 3 CE (FAS) Schemes:

Service	Avg No Participants
Ardeen	20
Cara	15
Rathfredagh	10

8 Deficit for the financial year

2018
€

2017
€

Operating surplus/(deficit) for the year is stated after charging:

Directors' remuneration	<u>Nil</u>	<u>Nil</u>
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Auditors' remuneration

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

Audit of individual financial statements	68,633	43,116
Other assurance services	-	-
Tax advisory services	-	-
Other non audit services	-	-
	<u>68,633</u>	<u>43,116</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Redundancy costs

Redundancy costs

The Company incurred redundancy costs of €78,300 (2017: €278,410) in the year to 31 December 2018.

10 Tangible assets	Land and buildings	Fixtures, fittings, furniture and equipment	Motor vehicles	Computer equipment	Total
	€	€	€	€	€
Cost or valuation					
At 31 December 2017	30,555,984	7,661,885	1,929,003	710,962	40,857,834
Additions	42,773	111,735	26,398	24,287	205,193
Disposals	-	-	-	-	-
At 31 December 2018	<u>30,598,757</u>	<u>7,773,620</u>	<u>1,955,401</u>	<u>735,249</u>	<u>41,063,027</u>
Accumulated depreciation					
At 31 December 2017	14,772,847	6,881,662	1,867,402	671,732	24,193,643
Charge for year	393,184	225,111	15,111	23,918	657,324
Disposals	-	-	-	-	-
At 31 December 2018	<u>15,166,031</u>	<u>7,106,773</u>	<u>1,882,513</u>	<u>695,650</u>	<u>24,850,967</u>
Net book value					
At 31 December 2017					
Cost	30,555,984	7,661,885	1,929,003	710,962	40,857,834
Accumulated depreciation	(14,772,847)	(6,881,662)	(1,867,402)	(671,732)	(24,193,643)
	<u>15,783,137</u>	<u>780,223</u>	<u>61,601</u>	<u>39,230</u>	<u>16,664,191</u>
At 31 December 2018					
Cost	30,598,757	7,773,620	1,955,401	735,249	41,063,027
Accumulated depreciation	(15,166,031)	(7,106,773)	(1,882,513)	(695,650)	(24,850,967)
	<u>15,432,726</u>	<u>666,847</u>	<u>72,888</u>	<u>39,599</u>	<u>16,212,060</u>

As set out in the accounting policies on page 19 the Company policy is to value land and buildings on an existing use basis under FRS 102.

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors and prepayments	2018	2017
	€	€
Amounts due from Health Service Executive	820,788	959,418
Prepaid expenses and other debtors	614,364	970,132
Amounts due from service users	1,317	212
	<u>1,436,469</u>	<u>1,929,762</u>

Trade debtors are after impairment of €155,847 (2017: €159,966).

12 Creditors (amounts falling due within one year)	2018	2017
	€	€
Bank loans and overdrafts	31,572	31,572
Trade creditors	1,299,232	1,261,555
Health Service Executive - deferred income	1,094,123	990,480
Taxation and social insurance costs – PAYE/PRSI	750,298	734,318
Accruals	1,223,981	1,646,747
	<u>4,399,206</u>	<u>4,664,672</u>

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.

13 Creditors (amounts falling due after more than one year)	2018	2017
	€	€
Bank loan	<u>334,412</u>	<u>350,249</u>
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	81,836	97,673
	<u>334,412</u>	<u>350,249</u>

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

The company's total bank loans at 31 December 2018 were €365,984 (2017: €381,821), 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 (2017: 3.5%). The loan is due for repayment in quarterly instalments over the next 19 years.

NOTES TO THE FINANCIAL STATEMENTS – continued

14 Cash (absorbed by)/generated from operations	2018	2017
	€	€
Loss for the financial year	(1,239,089)	(1,922,634)
Net interest expense	23,056	21,111
Amortisation of grants and bequests/donations	-	(761,028)
Depreciation of tangible fixed assets	657,324	582,765
Profit on disposal of tangible fixed assets	(2,891)	(91,129)
Fundraising and other income	-	(469,278)
Working capital movements:		
- decrease/(increase) in debtors	493,294	(524,352)
- (decrease) in creditors	(284,864)	(244,673)
Cash outflow from operating activities	(353,170)	(3,409,218)

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.

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 7 are; 2018: €653,950 (2017: €730,549).

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
- Chief Financial Officer
- Head of Clinical Services
- Head of HR & Quality
- Legal Manager

NOTES TO THE FINANCIAL STATEMENTS – continued

18 Key management compensation - continued

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:

	2018 €'000	2017 €'000
Salaries and other short-term benefits	437,069	351,205
Post-employment benefits	19,268	32,162
Share-based payments	-	-
Total key management compensation	456,337	383,367

19 Branches

During 2018 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 (including former residents of Richmond Cheshire Home)
 - 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
 St. Laurence Cheshire Home, Cork
 St. Patrick's Cheshire Home, Tullow, Co. Carlow (Community based over 3 sites)
 Waterford Cheshire, St. John's Hill, Waterford

NOTES TO THE FINANCIAL STATEMENTS – continued

20 Post balance sheet event

Post balance sheet event – covid 19

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The disease was first identified in 2019 in Wuhan, the capital of China's Hubei province, and has since spread globally, resulting in the ongoing 2019–20 coronavirus pandemic. The earliest known infection occurred on 17 November 2019 in Wuhan, China. The World Health Organization (WHO) declared the 2019–20 coronavirus outbreak a Public Health Emergency of International Concern (PHEIC) on 30 January 2020 and a pandemic on 11 March 2020.

We have considered the risks that coronavirus poses to the organisation and the actions we are taking to mitigate the impact. Although all non essential services are temporarily closed in Ireland at this time, the services provided by Cheshire are considered to be essential, and we are continuing to operate all of our services, albeit that we have had to introduce various social distancing and other health and safety protocols in executing our services. At this time, it is unclear how long the government mandated closures and social distancing measures will be in place for, however it is likely that they will continue to impact on how our services are executed for some time.

To date, although we have had a number of suspected cases of COVID 19 in our centres, we have only had 1 confirmed case among our residents, and this individual has since fully recovered. We have a COVID 19 task force in place, which meets virtually every day. Ensuring we have the right level of personal protective equipment (PPE) is a key challenge for us, and one that we are very focused on.

We have no experience of a similar crisis so there is no way of predicting the extent that the full effect coronavirus will have on our organisation in general, our clients and the resulting demand for our services. It is not yet clear how widespread the virus will be at any one time, how long the pandemic will last and what the medium to long term effect of this pandemic will be on availability of staff.

Our priority is to do all we can to keep our workplace as safe as possible for staff and residents. We are likely to remain at risk to the possibility that a members of our teams in different centres could go out sick, resulting in the need for other members of the team to self-isolate, and thereby require additional agency staff to fill vacancies. So far, we have been able to fill any such vacancies from within our own staff complement. We are confident based on our discussions with the HSE that all incremental COVID related costs associated with continuing to provide our services during the pandemic will be funded.

We have modelled the likely effects of COVID 19 on our cash forecast for the next 12 months, and we are comfortable, that there is unlikely to be any significant impact on our income sources, and that any incremental COVID related costs will be reimbursed by the HSE. We are not reliant on donation income and any reduction there would have a minimal impact. We do not expect bequests to be impacted.

We have also considered various measures we could take to control costs and conserve cash within the organisation, if certain services were to be temporarily suspended.

Management are comfortable that the forecasts they have prepared have considered a number of sensitivities, including a range of outcomes, and that in all cases their remains sufficient mitigation measures available to management to ensure that cash-flows are managed and that the Organisation can continue to meet its obligations as they fall due for the period of at least 12 months from signing the financial statements.

There will be many challenges to our working practices as the pandemic develops and we are putting plans in place to protect our most vulnerable employees and residents, and to comply with differing levels of Government restrictions and cope with illness throughout the organisation. In particular, we are adapting our procedures to facilitate home working among our administration and finance staff. We are confident that as an organisation we have the ability to manage through this challenging time.

NOTES TO THE FINANCIAL STATEMENTS – continued

21 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.

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.

22 Approval of the financial statements

The financial statements were approved by the directors on 22 April 2020.