

The Royal Hospital Donnybrook

Financial Statements

Year Ended 31 December 2011

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Independent auditors' report to the Governors of The Royal Hospital Donnybrook

We have audited the financial statements of The Royal Hospital Donnybrook for the year ended 31 December 2011 which comprise the Income and Expenditure Account, the Ordinary Balance Sheet, the Special Fund Account, the Special Fund Balance Sheet, the Cash Flow Statement, the Accounting and the related notes. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page V.

Respective responsibilities of the Board of Management and auditors

The Board of Management's responsibilities for preparing the financial statements in accordance with applicable Irish law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Responsibilities of the Board of Management on page XI.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's governors as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Act, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the hospital has kept proper books of account;

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the hospital circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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Chartered Accountants



Independent auditors' report to the Governors of The Royal Hospital Donnybrook - continued

Adverse opinion

As explained in note 13, the financial statements do not include the pension costs, pension liabilities and pension assets of staff who are members of the Voluntary Hospitals Superannuation Scheme in accordance with Financial Reporting Standard 17 'Retirement Benefits'.

As the pension costs, pension liabilities and pension assets referred to above have not been included in the ordinary income and expenditure account, statement of total recognised gains and losses and ordinary balance sheet, in our opinion, the financial statements do not give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the hospital's affairs as at 31 December 2011 and of its net income or expenditure for the year then ended.

The financial statements give a true and fair view of the cash flows of the hospital for the year ended 31 December 2011.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the hospital. The financial statements are in agreement with the books of account.

**Paul Hennessy
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin**

26 April 2012

ACCOUNTING POLICIES

The significant accounting policies adopted by the hospital are as follows:

Historical cost convention

The financial statements are prepared under the historical cost convention. The market value of quoted investments is disclosed in a note to the financial statements.

Income and expenditure

Income and expenditure is recognised when earned or incurred and is dealt with in the ordinary income and expenditure account or the special fund account of the year to which it relates.

The ordinary income and expenditure account reflects the day-to-day running of the hospital. The special fund account reflects the results of voluntary activities, investment income and other receipts and bequests together with their application. The analysis of assets and liabilities in the balance sheet is consistent with this distinction.

Expenses incurred by the hospital, less contributions from patients and other income, are recovered from the Health Service Executive by means of an allocation.

Allocations from the Health Service Executive (HSE)

The total allocation to the hospital towards the net expenditure for the year is included in the ordinary income and expenditure account. Any part of the allocation included in the ordinary income and expenditure account but not received at the year-end is included in the ordinary balance sheet.

Allocations in respect of the excess of annual net expenditure over annual allocations are accounted for as and when agreed by the Health Service Executive.

Pensions

The liability in respect of pensions payable is underwritten by the Minister for Health and Children and the net cost of pensions is included in the annual allocation towards net expenditure for the year.

Staff pension contributions are credited to the ordinary income and expenditure account when received and pension payments are charged to ordinary expenditure when paid.

Quoted investments

Quoted investments are stated in the special fund balance sheet at cost when purchased, or market value when acquired by way of bequest or gift.

The market value of all quoted investments at the balance sheet date is disclosed in a note to the financial statements.

Market value represents the mid price as quoted by a recognised stock exchange.

Fixed assets

Fixed assets for which grants have been received or are receivable, or which have been provided out of the special fund account, are not reflected in the balance sheet.

The cost of other fixed assets is charged to the ordinary income and expenditure account as incurred.

ORDINARY INCOME AND EXPENDITURE ACCOUNT
Year Ended 31 December 2011

	Notes	2011 €	2010 €
Ordinary expenditure			
Pay expenditure	2	16,126,777	16,553,249
Non-pay expenditure	3	<u>4,798,221</u>	<u>5,286,921</u>
		20,924,998	21,840,170
Ordinary income	4	<u>2,511,037</u>	<u>2,179,609</u>
Net expenditure for year		18,413,961	19,660,561
Allocation from HSE towards net expenditure for year		<u>18,750,326</u>	<u>19,892,719</u>
Surplus for year		336,365	232,158
Accumulated surplus brought forward		<u>338,958</u>	<u>106,800</u>
Accumulated surplus carried forward	5	<u>675,323</u>	<u>338,958</u>

On behalf of the Board of Management

 F Cunneen
 Chairman

 M Forde
 Treasurer

ORDINARY BALANCE SHEET
31 December 2011

	Notes	2011 €	2010 €
Ordinary assets			
Allocations due - Revenue	6	1,903,475	1,954,694
- Capital		114,107	(397,915)
Debtors and prepayments		278,088	273,860
Bank balances and cash		<u>2,095,947</u>	<u>2,634,472</u>
		<u>4,391,617</u>	<u>4,465,111</u>
Ordinary liabilities			
Creditors and accrued expenses		(2,840,732)	(3,079,474)
Patient Funds		<u>(875,562)</u>	<u>(1,046,679)</u>
		<u>(3,716,294)</u>	<u>(4,126,153)</u>
		<u>675,323</u>	<u>338,958</u>
Represented by:			
Accumulated surpluses carried forward	5	<u>675,323</u>	<u>338,958</u>

On behalf of the Board of Management

 F Cunneen
 Chairman

 M Forde
 Treasurer

SPECIAL FUND ACCOUNT
Year Ended 31 December 2011

	2011 €	2010 €
Income		
Investment income	8,799	18,135
Rents receivable	961	1,902
Voluntary gifts and donations	23,232	31,634
Deposit interest	45,906	25,558
Bequests	<u>10,901</u>	<u>84,206</u>
	<u>89,799</u>	<u>161,435</u>
Expenditure		
Other payments	<u>5,971</u>	<u>7,061</u>
	<u>5,971</u>	<u>7,061</u>
Income less expenditure	83,828	154,374
Balance at beginning of year	<u>3,433,016</u>	<u>3,278,642</u>
Balance at end of year	<u>3,516,844</u>	<u>3,433,016</u>

On behalf of the Board of Management

F Cunneen
Chairman

M Forde
Treasurer

SPECIAL FUND BALANCE SHEET
31 December 2011

	Note	2011 €	2010 €
Special fund assets			
Quoted investments	7	328,831	328,831
Debtors and prepayments		9,251	9,434
Bank balances and cash		<u>3,178,762</u>	<u>3,094,751</u>
		<u>3,516,844</u>	<u>3,433,016</u>
 Represented by:			
Special funds		<u>3,516,844</u>	<u>3,433,016</u>

On behalf of the Board of Management

F Cunneen
Chairman

M Forde
Treasurer

CASH FLOW STATEMENT
Year Ended 31 December 2011

	Notes	2011 €	2010 €
Net cash outflow from operating activities	8	(18,650,810)	(19,984,263)
Returns on investments and servicing of finance	9	43,574	34,775
Capital expenditure	9	<u>(167,405)</u>	<u>(164,474)</u>
Net cash outflow before financing		(18,774,641)	(20,113,962)
Financing	9	<u>18,481,244</u>	<u>20,883,164</u>
Net cash (outflow)/inflow		<u>(293,397)</u>	<u>769,202</u>
(Decrease)/increase in cash	10	<u>(283,397)</u>	<u>769,202</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of responsibilities of the Board of Management

The Board of Management is required to prepare financial statements for each financial year and have them audited. In preparing these financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the hospital will continue in operation.

The Board of Management is responsible for keeping proper books of account which enable it to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and show a true and fair view. The Board of Management is also responsible for safeguarding the assets of the hospital and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2 Pay expenditure	2011 €	2010 €
Administration	839,758	1,021,120
Medical	471,101	390,851
Nursing and allied	9,770,530	9,884,683
Paramedical	1,835,258	1,670,672
Catering and house-keeping	1,714,019	1,818,748
Maintenance	228,658	203,266
Pensions payable	<u>1,267,453</u>	<u>1,563,909</u>
	<u>16,126,777</u>	<u>16,553,249</u>

Superannuation administration

In 2011 pension payments were less than superannuation deductions by €45,803 (2010: pension payments exceeded superannuation deductions by €207,784), as follows:

	2011 €	2010 €
Pensions payable		
- once off payments on retirement	-	(422,563)
- ongoing pension payments	<u>(1,267,453)</u>	<u>(1,141,346)</u>
	<u>(1,267,453)</u>	<u>(1,563,909)</u>
Superannuation deductions	<u>1,313,256</u>	<u>1,356,125</u>
Pension surplus/(deficit) for the year	<u>45,803</u>	<u>(207,784)</u>

Since the year end there have been 5 retirements from the Hospital involving lump sum payments totalling approximately €282,000.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Non-pay expenditure	2011 €	2010 €
Drugs and medicines	477,163	538,958
Blood and blood products	4,121	5,091
Medical gases	29,630	30,684
Medical and surgical supplies	682,310	539,068
Medical equipment	29,445	18,153
Food and catering fees	561,013	578,119
Catering equipment	64,330	127,800
Furniture, crockery and hardware	143,277	302,656
Heat, light and power	345,430	301,724
Laundry equipment	18,730	36,339
Cleaning and washing	558,105	555,881
Maintenance and renovations	829,039	806,925
Bedding and clothing	19,906	21,312
Farm and grounds	155,524	224,124
Transport and travelling	10,422	7,029
Transport of patients	46,666	137,489
Bank interest and charges	12,092	10,820
Insurances, audit, legal and other professional costs	127,024	122,681
Other professional services	107,831	227,000
Office equipment	64,997	74,108
Computer equipment	100,084	129,026
Office expenses	84,473	180,483
Sundries	326,609	311,451
	<u>4,798,221</u>	<u>5,286,921</u>
4 Ordinary income	2011 €	2010 €
Patient maintenance	1,009,113	683,044
Superannuation deductions	1,313,256	1,356,125
Staff restaurant income	89,452	88,669
Sundry income	99,216	51,771
	<u>2,511,037</u>	<u>2,179,609</u>

Included in Patient Maintenance for the year ended 31 December 2011 is €338,797 in respect of non-recurring Fair Deal income.

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Accumulated surpluses/(deficits) carried forward	2011	2010
	€	€
In respect of prior years:		
- 1999	3,566	3,566
- 2000	112,009	112,009
- 2001	(103,415)	(103,415)
- 2002	90,580	90,580
- 2003	9,193	9,193
- 2004	17,391	17,391
- 2005	8,760	8,760
- 2006	(3,250)	(3,250)
- 2007	(13,909)	(13,909)
- 2008	543	543
- 2009	(14,668)	(14,668)
- 2010	232,158	232,158
- 2011	<u>336,365</u>	<u>-</u>
	<u>675,323</u>	<u>338,958</u>
6 Revenue grants due	2011	2010
	€	€
In respect of:		
- prior years	(668)	(668)
- 2010	29,110	-
- 2011	<u>1,875,033</u>	<u>1,955,362</u>
	<u>1,903,475</u>	<u>1,954,694</u>
7 Quoted investments	2011	2010
	€	€
At cost when purchased, or market value when acquired by way of bequest or gift	<u>328,831</u>	<u>328,831</u>
Market value	<u>288,434</u>	<u>290,325</u>
8 Reconciliation of net expenditure to net cash outflow from operating activities	2011	2010
	€	€
Net expenditure for year	(18,413,961)	(19,660,561)
Interest included in expenditure	12,092	10,820
Payments from special fund account	(5,971)	(7,061)
(Increase) in debtors and prepayments	(4,228)	(91,826)
(Decrease) in creditors	<u>(238,742)</u>	<u>(235,635)</u>
Net cash outflow from operating activities	<u>(18,650,810)</u>	<u>(19,984,263)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Gross cashflows	2011	2010	
	€	€	
Returns on investment and servicing of finance			
Interest received	45,906	25,558	
Interest paid	(12,092)	(10,820)	
Investment income	8,799	18,135	
Rents receivable	<u>961</u>	<u>1,902</u>	
	<u>43,574</u>	<u>34,775</u>	
Capital expenditure and financial investment			
Expenditure on premises and equipment	(167,405)	(167,405)	
Investment received by way of bequest	<u>-</u>	<u>2,931</u>	
	<u>(167,405)</u>	<u>(164,474)</u>	
Financing			
Maturity of bond	-	2,931	
(Increase in capital grants due)/capital grants received	(354,434)	706,209	
Revenue grants received (Note 11)	18,801,545	20,058,184	
Bequests	10,901	84,206	
Voluntary gifts and donations	<u>23,232</u>	<u>31,634</u>	
	<u>18,481,244</u>	<u>20,883,164</u>	
10 Analysis of the balances of cash as shown in the balance sheet	2011	2010	Change in year
	€	€	€
Bank balances and cash	5,274,709	5,729,223	(454,514)
Bank overdrafts	<u>(875,562)</u>	<u>(1,046,679)</u>	<u>171,117</u>
	<u>4,399,147</u>	<u>4,682,544</u>	<u>(283,397)</u>
11 Analysis of changes in financing during the year	2011	2010	
	€	€	
Revenue allocations			
At beginning of year	1,954,694	2,120,159	
Allocation for the year	18,750,326	19,892,719	
Cash received	<u>(18,801,545)</u>	<u>(20,058,184)</u>	
At end of year	<u>1,903,475</u>	<u>1,954,694</u>	

12 Premises

As stated in the accounting policies on page V, fixed assets for which grants have been received or are receivable, or which have been funded from the special fund account, are not reflected in the hospital's balance sheet. These fixed assets include the hospital premises, which were acquired in 1792 and have been developed over subsequent years from the special fund account and capital grants.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Retirement benefits

In common with other hospitals, the financial statements do not contain the disclosure requirements in respect of retirement benefits set out in Financial Reporting Standard 17 'Retirement Benefits'. The amount of pensions payable in the year, and the superannuation deductions from staff, are disclosed in the financial statements and their impact on the outturn for the year can therefore be assessed.

The majority of staff are members of the Voluntary Hospitals Superannuation Scheme, which is an unfunded, pay-as-you-go scheme underwritten by the Minister for Health and Children. The Board of Management believes that the funds required in the future to pay current pension liabilities, as they arise into the future, will be provided by the Department of Health and Children under the Voluntary Hospitals Superannuation Scheme and that therefore it is not necessary for the financial statements of the Hospital to include the liability at the balance sheet date in respect of pension entitlements built up to that date by employees of the Hospital, nor the other disclosure requirements of Financial Reporting Standard 17, because the Board believes that liability rests with the Department of Health and Children.

14 Subsequent events

Since the year end the Hospital has been advised by the HSE that the 2012 allocation is likely to be reduced compared to 2011 and the Hospital is taking measures to reduce activity to match the reduced funding available.

15 Approval of financial statements

The Board of Management approved the financial statements on 26 April 2012.