

DELPHI MEDICAL LIMITED

Report and Financial Statements

Year ended 31 March 2017

DRAFT

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Officers and professional advisors

Directors	Anthony Duerden (appointed 14 October 2016) Dr John S Richmond (resigned 14 October 2016)
Company Secretary	Anthony Duerden (appointed 31 March 2017) Tracy Woods (appointed 14 October 2016 and resigned 31 March 2017) Dr John S Richmond (resigned 14 October 2016)
Registered Office	Centenary Court Croft Street Burnley Lancashire BB11 2ED
Registered Number	06944767
External Auditor	Beever and Struthers Chartered Accountants and Statutory Auditor St George's House 215-219 Chester Road Manchester M15 4JE
Bankers	HSBC 35 Market St Lancaster LA1 1JQ

Directors' Report

The Director is pleased to present their report along with the audited financial statements for the year ended 31 March 2017.

Objectives and Activities

Incorporated as a limited company, Delphi Medical Limited was established on 25 June 2009. The principle activity of the company during the period was an in-patient detoxification service and clinical treatment.

Directors

The director, together with details of the changes which have occurred up to the date of approval of this report is set out on page 1.

Review of the Business

Delphi Medical Limited ("Delphi") is a limited company which joined the group of companies within The Calico Group in October 2016.

Delphi is a subsidiary company of Acorn Recovery Projects and is governed via the Acorn Board. The Board has recently been strengthened, increasing from three trustees to six during the early part of 2016. The Board meets on an eight weekly basis and the Chairman also sits on The Calico Group Board.

Delphi's aim is not just to raise the standard of our work but to inspire those we work with to better achieve their potential. We understand the role social determinants of health have to play in the efficacy and ability of an individual and communities to 'recover' from addiction. Our model is based upon providing the best possible opportunities for individuals and communities to start well, live well and age well. People with addiction problems often lack social support and suffer from isolation which is compounded with a propensity to experience other negative health impacts.

We have defined the culture of the organisation by implementing our values. We reference them in all decision making; from decisions about patient care through to strategic planning. We offer people centred services which are; Accessible, Sustainable and Accountable.

Our service focuses on developing pathways which bring substance misuse into broader health and social care provision to improve the health and wellbeing of those we work with and their families.

Delphi supplies services to the public and private sector. Our focus is to ensure that we retain a balance within the Local Authority and to continue to build upon our delivery of private in patient detoxification within The Pavilion.

Key Risks and Challenges

National changes, as part of welfare reform, present challenges to Delphi through pressures on the reliance of public sector funding to support its mainstay which is drug and alcohol services commissioned via the public sector. Reductions in Public Health funding is likely to increase crime and negatively impact on the health and wellbeing of our customers; therefore our customers will continue to experience increased social exclusion and deprivation and it is likely that while funding cuts will continue; the need and demand for services which address key health inequalities will increase.

Reducing the financial deficit for Delphi Medical Limited, as part of The Calico Group, while continuing to grow the business presents a challenge - the business requires the infrastructure to be able to deliver and grow, but recognises the financial position places a pressure on finding the 'right balance'.

The Pavilion was relocated and reopened in December 2016. Delphi is working to ensure that it becomes financially self sustaining during 2017/18. Ongoing work to increase the volume of bed nights being sold is ongoing and this is a priority to assure the Group of its viability for the future expanded unit.

Key Performance Indicators (KPI's)

Due to the clinical nature of our services, Delphi has legal and contractual obligations to adhere to the following:-

- Care Quality Commission – involving regular inspections.
- Home Office Inspections.
- Investigations into Death in Custody/Death in Service.
- Production of Coroners reports and attendance at court/court reports.
- General Medical Council – medical revalidation and accountable officer for Clinicians.
- Nursing & Midwifery Council – compliance with National Institute for Health Care Excellence (NICE) guidelines and accountability for Nurses.
- KPI Frameworks directed by Commissioners.
- Implementation of performance monitoring systems to ensure high quality performance across services.
- Audit, reviews, implementing improvement and managing change.

As well as the above, we manage financial performance through performance of contracts against budgets, contribution to overhead costs and cash flow performance.

Directors' Report (continued)

Key Opportunities

As part of The Calico Group, Delphi has the support and weight of a large organisation to support growth and enhance our profile across the North West.

We will participate to develop a combined Group business strategy for growth based upon geography and themed work-streams and developing a bidding model within the Group to enable Delphi to bid for large scale service models across the North West.

The success of The Pavilion would allow this model to be expanded to other geographic areas nationally. The business model will allow this approach to work in most parts of the country.

Group Structure

A review of the Group's company and governance structures has taken place over the past year to ensure they can best support our purpose by ensuring there is adequate leadership capacity and that the Group continues to grow and develop.

A number of options relating to changes in structure of the Group to help with these objectives were considered by all Boards. It has been agreed to establish a new 'social enterprise' holding company with a common board for each of the legal entities which are Calico Enterprise, Acorn, SafeNet and Delphi. This holding company will sit between the legal entities and the Group Board. A 'transitional' advisory board has been established to progress the new arrangements which is expected to be established by March 2018. This new arrangement will enhance continued growth by integrating service and company offers and allowing competition with larger scale 'lead' providers.

Going concern

The business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report on pages 2 to 4. In addition, notes on pages 8 to 12 of the financial statements include the company's objectives, policies and processes.

The director has reviewed and considered the future projected cash flows for the next two years. The negative reserves position is being supported by inter-company balances, primarily a loan from the parent company, Acorn Recovery Projects, which is not to be repaid in the next twelve months and support from fellow subsidiary Delphi Medical Consultants Limited. In practice, the two Delphi companies are operated as one business and consideration is to be given to amalgamating the companies into one. Work is ongoing to ensure that the Pavilion is self sustaining during 2017/18 and Delphi Medical Consultants Limited have long term contracts in place. Based on this information, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement as to disclosure of information to auditor

The director who was in office on the date of approval of these financial statements has confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. The director has confirmed that they have taken all the steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Small company provisions

The report of the director has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The director has taken advantage of the small companies' exemption from the requirement to prepare a strategic report.

Statement of Directors' Responsibilities in respect of the Annual Report & Financial Statements

The director is responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102").

Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' Report (continued)

Statement of Directors' Responsibilities in respect of the Annual Report & Financial Statements (continued)

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Beever and Struthers, Chartered Accountants and Statutory Auditor, who were appointed on the date of acquisition, have indicated their willingness to continue in office. A resolution to reappoint them as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board and signed on its behalf by:-

Anthony Duerden
Director
12 September 2017

Independent Auditor's report to the members of Delphi Medical Limited

We have audited the financial statements of Delphi Medical Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income and Retained Earnings, Statement of Changes in Equity, the Statement of Financial Position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and the auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the director is 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 applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ("FRC's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Maria Hallows
Senior Statutory Auditor
For and on behalf of **BEEVER AND STRUTHERS**, Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE

Date: 12 September 2017

Statement of Comprehensive Income For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	2	377,888	3,075,087
Cost of Sales		(106,229)	(599,730)
Gross profit		271,659	2,475,357
Administrative expenses		(735,514)	(2,395,671)
Operating (loss)/profit	3	(463,855)	79,686
Interest payable		-	69
(Loss)/profit on ordinary activities before taxation		(463,855)	79,755
Taxation on profit on ordinary activities	6	-	(15,951)
Total comprehensive (loss)/income for the year		(463,855)	63,804
Total comprehensive (loss)/income for the year attributable to:			
Owners of the parent		(463,855)	63,804

All of the activities in the current and prior financial periods are derived from continuing operations.

The notes on pages 8 to 12 form part of the accounts.

Statement of Changes in Equity For the year ended 31 March 2017

	Called-up Share Capital £	Income and Expenditure Reserve £	Total £
At 1 April 2015	4	113,283	113,287
Profit for the year	-	63,804	63,804
Dividends paid	-	(123,000)	(123,000)
At 31 March 2016	4	54,087	54,091
Loss for the year	-	(463,855)	(463,855)
At 31 March 2017	4	(409,768)	(409,764)

Statement of Financial Position
At 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	8	33,539	36,135
Current assets			
Cash at bank and in hand		24,402	326,447
Debtors	9	78,611	122,439
		103,013	448,886
Creditors: amounts falling due within one year	10	(540,822)	(425,436)
Net current (liabilities) / assets		(437,809)	23,450
Total assets less current liabilities		(404,270)	59,585
Provision for liabilities	11	(5,494)	(5,494)
Net (liabilities) / assets		(409,764)	54,091
Capital and reserves			
Called up share capital	12	4	4
Reserves		(409,768)	54,087
		(409,764)	54,091

These accounts have been delivered in accordance with the provisions applicable to companies subject to the small company's regime.

The notes on pages 8 to 12 form part of these financial statements.

The financial statements were approved by the directors and authorised for issue on 12 September 2017 and signed on their behalf by:

Anthony Duerden
Director
 12 September 2017

Notes to the Financial Statements

1. Accounting policies

Delphi Medical Limited is a limited company incorporated in England & Wales. The registered office is Centenary Court, Croft Street, Burnley, Lancashire, BB11 2ED.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102") and with the Companies Act 2006.

This is the first year in which the financial statements have been prepared under FRS 102. However, on adoption of FRS 102 no transitional adjustments were required from prior periods.

The company meets the definition of a qualifying entity under FRS 102 and has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

Going concern

The business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report on pages 2 to 4. In addition, notes on pages 8 to 12 of the financial statements include the company's objectives, policies and processes.

The director has reviewed and considered the future projected cash flows for the next two years. The negative reserves position is being supported by inter-company balances, primarily a loan from the parent company, Acorn Recovery Projects, which is not to be repaid in the next twelve months and support from fellow subsidiary Delphi Medical Consultants Limited. In practice, the two Delphi companies are operated as one business and consideration is to be given to amalgamating the companies into one. Work is ongoing to ensure that the Pavilion is self sustaining during 2017/18 and Delphi Medical Consultants Limited have long term contracts in place. Based on this information, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Value added tax ("VAT")

The supply of health services provided by registered doctors is VAT exempt. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable.

Taxation

The charge for taxation for the year is based on the profits arising on taxable activities undertaken at the appropriate enacted rate.

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. Deferred tax assets are only recognised to the extent that their recovery is reasonably expected in the foreseeable future.

Judgement and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statement.

Turnover

Turnover comprises of medical treatment income. Turnover is stated exclusive of Value Added Tax ("VAT").

Tangible Assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. Their actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Tangible assets are stated at cost less depreciation. Depreciation is provided evenly on the cost of the assets to write them down to their estimated residual values over their expected useful lives. The principle annual rates used for tangible assets are:

- Furniture, fixtures and fittings 25%
- Computers and office equipment 25%
- Motor Vehicles 25%

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to the future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Pensions

The cost of defined benefit contributions and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

Financial instruments

Financial assets and liabilities are initially measured at the transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

2. Turnover

	2017	2016
	£	£
Medical Treatment Income	377,888	3,075,087
	<u> </u>	<u> </u>

3. Operating profit

The operating profit for the year is stated after charging:-

	2017	2016
	£	£
Auditor's fees	2,520	5,292
Depreciation of tangible fixed assets (note 8)	16,534	15,245
	<u> </u>	<u> </u>

4. Directors' remuneration

The Director(s) did not receive any remuneration or expenses from the company during the period.

5. Employees

Employee numbers are a combination of Delphi Medical Limited and Delphi Medical Consultants Limited. All employees are on dual contracts with both entities. The average monthly number of employees during the year, analysed by function, was as follows:

	2017	2016
	Number	Number
Community and Prison staff	46	42
Finance and administration	8	12
Detoxification staff	14	-
	<u> </u>	<u> </u>
	68	54
	<u> </u>	<u> </u>
Staff costs consist of:	£	£
Salaries	1,855,914	1,642,919
Social security costs	165,566	129,664
Pension contributions	123,394	110,746
	<u> </u>	<u> </u>
	2,144,874	1,883,329
Allocated to Delphi Medical Consultants Ltd	(1,610,727)	(32,590)
	<u> </u>	<u> </u>
	534,147	1,850,739
	<u> </u>	<u> </u>

Notes to the Financial Statements (continued)

6. Taxation

	2017	2016
	£	£
<i>Current tax charge</i>		
UK Corporation tax on profit for the period	-	18,603
Deferred tax	-	(2,652)
	<u>-</u>	<u>15,951</u>
<i>Factors affecting the tax charge for the period</i>		
Profit/(loss) on ordinary activities before tax	<u>(463,855)</u>	<u>79,755</u>
Taxation at the standard rate of corporation tax of 20%	(92,771)	15,951
Losses carried back to prior years	15,951	-
Group relief gifted for no payment	8,597	-
Losses available to carry forward	68,223	-
	<u>-</u>	<u>15,951</u>
Current tax charge for the period	<u>-</u>	<u>15,951</u>

7. Dividends

	2017	2016
	£	£
<i>Ordinary shares of £1 each</i>		
Interim	-	123,000
	<u>-</u>	<u>123,000</u>

8. Tangible fixed assets

	Fixtures, Fittings, Tools & Equipment
	£
Cost	
At 1 April 2016	62,492
Additions	18,637
Disposals	(21,440)
At 31 March 2017	<u>59,689</u>
Depreciation	
At 1 April 2016	26,357
Charge in the year	16,534
Disposal	(16,741)
At 31 March 2017	<u>26,150</u>
Net book amount at 31 March 2017	<u>33,539</u>
Net book amount at 31 March 2016	<u>36,135</u>

Notes to the Financial Statements (continued)

9. Debtors

	2017	2016
	£	£
Trade debtors	53,480	92,275
Prepayments	25,131	30,164
	<u>78,611</u>	<u>122,439</u>
	<u><u>78,611</u></u>	<u><u>122,439</u></u>

10. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	61,674	31,566
Taxation and social security	54,038	46,468
Accruals and deferred income	55,636	89,337
Amounts due to parent entity	170,000	-
Amounts due to group undertakings	199,474	258,065
	<u>540,822</u>	<u>425,436</u>
	<u><u>540,822</u></u>	<u><u>425,436</u></u>

11. Provision for liabilities

	2017	2016
	£	£
Deferred tax	5,494	5,494
	<u>5,494</u>	<u>5,494</u>
	<u><u>5,494</u></u>	<u><u>5,494</u></u>

12. Share capital

At 31 March 2017, the number of allotted, called up and fully paid shares was 4 (2016: 4). On 15 October 2016, the company was acquired by Acorn Recovery Projects.

The total authorised number of £1 ordinary shares at 31 March 2017 was 1,000 (2016: 1,000).

13. Financial commitments

The company had no commitments under non-cancellable operating leases.

14. Parent undertaking

At 31 March 2017, the Company is a 100% subsidiary of Acorn Recovery Projects, a company incorporated in England and Wales.

Consolidated accounts which include the results of the Company can be obtained from:

- Company Secretary, The Calico Group Limited, Centenary Court, Croft Street, Burnley, BB11 2ED

No other accounts include the results of the Company.

The Director considers The Calico Group Limited ("Group") to be the ultimate parent entity.

Notes to the Financial Statements (continued)

15. Related party transactions

Acorn Recovery Projects ("Acorn"), the parent company

During the year, the company borrowed £170,000 (2016: £Nil) with an interest rate of base rate +0.5% and repayable by 30 November 2017.

At 31 March 2017, the company owed Acorn £170,000 (2016: £Nil).

Calico Homes Limited ("Homes"), a fellow subsidiary of Group

There were no transactions during the year (2016: £Nil).

At 31 March 2017, the company owed Homes £30,000 (2016: £Nil).

Calico Enterprise Limited ("Enterprise"), a fellow subsidiary of Group

During the year, Enterprise supplied cleaning, painting & decorating services amounting to £2,000 (2016: £Nil).

At 31 March 2017, the company owed Enterprise £Nil (2016: £Nil).

Delphi Medical Consultants Limited ("DMC"), a fellow subsidiary of Acorn

During the year, there were no transactions (2016: £Nil).

At 31 March 2017, the company owed DMC £170,000 (2016: £258,000).

Dr J S Richmond ("JSR"), the former sole director and shareholder

During the year, JSR received dividends of £Nil (2016: £123,000).

At 31 March 2017, the company owed JSR £Nil (2016: £Nil).