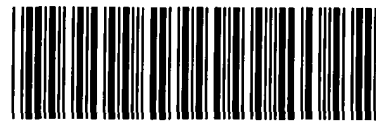


## California Topco Limited

Registered number 11552117  
Annual report and financial statements  
31 March 2020

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**California Topco Limited****REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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**Directors:** Ajay Chadha  
Adrian Evans  
Susan Veness  
Steven Kent  
George Moss

**Registered Office:** 7 Marchmont Gate  
Boundary Way  
Hemel Hempstead  
Hertfordshire  
HP2 7BF

**Registered Number:** 11552117

**Auditor:** KPMG LLP  
58 Clarendon Road  
Watford  
WD17 1DE

## California Topco Limited

### STRATEGIC REPORT

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The directors present their strategic report of the activities of California Topco Limited (the "Group" or the "Company") for the year end 31 March 2020.

#### Business Review and Strategy

The business continues with a strategy of strong growth, scaling, and revenue diversification through the addition of new customers and the development of service offerings and specialisms. The key priority for the company is that its services are provided to the highest standards of quality and clinical governance. Being one of the first ISAS-accredited radiology service providers in the UK, the company has maintained its accreditation across certifications from ISAS and CQC, ISO 9001, ISO 27001 and IGSOC version 13.

Below are the key points and changes in the company's performance for the year following successful strategy execution:

- Continued strong sales growth with a year on year increase in turnover
- Like for like growth in gross profit
- Continued investment in core infra-structure to support growth
- Increase in customer base with a number of new clients serviced within the year
- During the year the company rolled out a new Day Time Urgent service building upon the established Out Of Hours urgent care service
- Addition of key hires strengthening the Senior Management and Leadership Teams

#### Key Performance Indicators

The board monitors the performance of the company by reference to the following key performance indicators. Performance during the year is set out as follows:

	2020 12 Months £'000	2019 7 Months £'000
Turnover	25,234	11,111
Gross profit	8,988	4,118
Gross profit margin %	35.6%	37.1%
Operating Loss	(3,248)	(1,508)
Net liabilities	(14,131)	(4,717)

#### Going Concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1 and the Directors' Report on page 3.

Notwithstanding net liabilities of £14.131 million for the Group, as at 31 March 2020, and a loss for the period then ending of £9.414 million for the Group the financial statements of the Group and Company have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In July 2020, the directors of the Company undertook an assessment of the ability of the Company and Group to continue in operation and meet their liabilities as they fall due over the 20 month period to 31 March 2022.

The Directors prepared cash flow forecasts for the 20 month period to 31 March 2022 including a severe but plausible downside scenario reflecting a reduction in scan volumes as result of COVID-19 with normal volumes not returning until October 2020. Under all scenarios considered, the group was able to remain cash generative, and operate within its existing borrowing facilities and its adjusted financial covenants throughout the forecast period.

Further, the directors also considered the availability of the existing financing facilities, which at 31 March 2020 included bank loans of £22.78 million, of which £16.5 million is repayable in August 2025, £5.28 million is repayable in quarterly instalments to June 2024 and a £1 million revolving facility which was repaid in June 2020;

## California Topco Limited

### STRATEGIC REPORT (continued)

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shareholder loan notes of £20.9 million, including accrued interest, due for redemption in September 2026; and preference shares of £29.0 million, including accrued dividends, redeemable in September 2026.

In addition, subsequent to the year end, the Group repaid a short term revolving cash facility of £1.0 million, which had been drawn down in anticipation of business disruption caused by COVID19, however due to successful business continuity coupled with active liquidity management the group was able to repay these funds on 18 June 2020. This facility remains available but is not forecast to be required during the forecast period.

As set out in note 20 to the financial statements, the shareholder loan notes include a clause under which Note holders can request for the Notes to be repaid if certain conditions occur, ECI Partners LLP, the ultimate controlling party and holder of the majority of the loan notes and preference shares, have indicated that it does not intend to activate the redemption clauses and seek payment for any amounts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident, based on the circumstances outlined above, that the company and group will have sufficient funds to continue to meet their liabilities as they fall due for at least 20 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### Risks and Opportunities

The impact of Coronavirus on the NHS has been widely reported. Following the year end, the Group has experienced a reduction in the number of scans outsourced by the NHS. As a high proportion of the cost base is variable by volume, the Group has been able to reduce costs in line with the downturn in demand and continues to assess the ongoing situation.

The ongoing business as usual risk to the Group is budgetary pressure and constraint within NHS Trusts. This risk is mitigated by increased demand for the company's services within the healthcare sector and increased number of NHS customers, through diversification, through additional service offerings and through growth from private sector healthcare providers.

The directors continue to monitor developments in relation to Brexit. Whilst this presents uncertainty, the directors have not identified any specific impact on the company arising from any Brexit scenario.

#### Employment Matters

The Group is an equal opportunities employer and takes account of ongoing changes to pensions, flexible working and modern slavery policy. The Group has a highly-skilled and stable team of employees and the Group endeavours to keep them informed and engaged about relevant matters. The Group greatly appreciates the efforts and the continued dedication of its employees.

This report was approved by the board and signed on its behalf on 26<sup>th</sup> August 2020.



Susan Veness, Director

## California Topco Limited

### DIRECTORS REPORT

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The directors present their report and the financial statements for California Topco Limited (the "Group" or the "Company") for the year end 31 March 2020.

#### Principal activities

The Group's principal activity during the period is providing innovative teleradiology solutions to the UK Healthcare market through its wholly-owned subsidiary company 4 Ways Healthcare Limited. The group acquired its interest in 4 Ways Healthcare Limited on 4 September 2018.

#### Results and dividends

The statement of comprehensive income is set out on page 7 and shows the loss for the period.

The directors do not recommend the payment of a dividend for the period ended 31 March 2020.

#### Directors

The directors who held office during the year and up to the date of the signing of these financial statements were as follows:

Ajay Chadha  
Adrian Evans  
Richard Holland (resigned 30 April 2020)  
Steven Kent  
George Moss  
Susan Veness (appointed 30 April 2020)

#### Political contributions

The Group made no political donations or incurred any political expenditure during the year.

#### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

#### Events after the date of the financial statements

Subsequent to the balance sheet date, California Bidco Limited – a subsidiary company - repaid the revolving cash facility worth £1,000,000 at the balance sheet date.

#### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board and signed on its behalf on 26<sup>th</sup> August 2020.



Susan Veness, Director

## California Topco Limited

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT, AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the group and parent company 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## California Topco Limited

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALIFORNIA TOPCO LIMITED

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#### Opinion

We have audited the financial statements of California Topco Limited ("the company") for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

#### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

## **California Topco Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALIFORNIA TOPCO LIMITED** (continued)

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

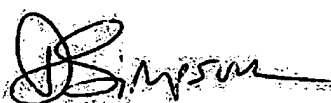
#### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**David Simpson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
KPMG LLP  
58 Clarendon Road  
Watford  
WD17 1DE

Date: 28 August 2020



**California Topco Limited**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020**

		<b>Year Ended March 2020</b>	<b>7 Month Period Ended March 2019</b>
	<b>Note</b>	<b>£000's</b>	<b>£000's</b>
<b>Turnover</b>	<b>6</b>	<b>25,234</b>	<b>11,111</b>
<b>Cost of sales</b>		<b>(16,246)</b>	<b>(6,993)</b>
<b>Gross Profit</b>		<b>8,988</b>	<b>4,118</b>
<b>Administrative Expenses</b>	<b>7</b>	<b>(12,236)</b>	<b>(5,626)</b>
<b>Operating Loss</b>		<b>(3,248)</b>	<b>(1,508)</b>
Interest receivable and similar income		1	2
Interest payable and similar expenses	<b>10</b>	<b>(5,899)</b>	<b>(3,208)</b>
<b>Loss before taxation</b>		<b>(9,146)</b>	<b>(4,714)</b>
<b>Tax charge on profit</b>	<b>11</b>	<b>(268)</b>	<b>(498)</b>
<b>Loss for the period</b>		<b>(9,414)</b>	<b>(5,212)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(9,414)</b>	<b>(5,212)</b>

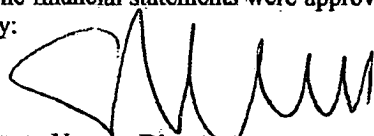
The comprehensive income for the year derives entirely from continuing activities.

The notes on pages 13-26 form an integral part of these financial statements.

**California Topco Limited****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020**

	Note	2020 £000's	2019 £000's
<b>Fixed Assets</b>			
Goodwill	13	47,914	53,633
Intangible assets	13	3,297	2,909
Tangible assets	14	2,109	930
		<b>53,320</b>	<b>57,472</b>
<b>Current assets</b>			
Debtors	15	4,561	3,445
Cash at bank		3,531	4,205
		<b>8,092</b>	<b>7,650</b>
<b>Creditors</b>			
Amounts falling due within one year	16	(4,315)	(7,657)
<b>Net current assets</b>		<b>3,777</b>	<b>(7)</b>
<b>Total assets less current liabilities</b>		<b>57,097</b>	<b>57,465</b>
<b>Creditors</b>			
Amounts falling due after more than one year	17	(70,643)	(61,658)
<b>Provisions</b>			
Deferred taxation	22	(585)	(524)
<b>Net liabilities</b>		<b>(14,131)</b>	<b>(4,717)</b>
<b>Capital and reserves</b>			
Called up share capital	23	12	6
Share premium account	23	483	489
Profit and loss account		(14,626)	(5,212)
<b>Total capital and reserves</b>		<b>(14,131)</b>	<b>(4,717)</b>

The financial statements were approved by the Board of Directors on 26<sup>th</sup> August 2020 and were signed on its behalf by:



Susan Veness, Director

Company registered number: 11552117

The notes on pages 13-26 form an integral part of these financial statements.

**California Topco Limited**
**COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020**

	Note	2020 £000's	2019 £000's
<b>Fixed Assets</b>			
Investments in subsidiaries	12	-	-
		-	-
<b>Current assets</b>			
Debtors	15	29,634	26,852
		29,634	26,852
<b>Creditors</b>			
Amounts falling due within one year	16	(233)	(76)
<b>Net current assets</b>		29,401	26,776
<b>Total assets less current liabilities</b>		29,401	26,776
<b>Creditors</b>			
Amounts falling due after more than one year	17	(29,039)	(26,330)
<b>Net liabilities</b>		362	446
<b>Capital and reserves</b>			
Called up share capital	23	12	6
Share premium account	23	483	489
Profit and loss account		(133)	(49)
<b>Total capital and reserves</b>		362	446

The financial statements were approved by the Board of Directors on 26<sup>th</sup> August 2020 and were signed on its behalf by:



Susan Veness, Director  
Company registered number: 11552117

**California Topco Limited****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020**

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Note	23	23		
At 4 September 2018	-	-	-	-
Subscription of share capital	6	489		495
Comprehensive loss for the year	-	-	(5,212)	(5,212)
At 31 March 2019	<u>6</u>	<u>489</u>	<u>(5,212)</u>	<u>(4,717)</u>
Comprehensive loss for the year	6	(6)	(9,414)	(9,414)
At 31 March 2020	<u>12</u>	<u>483</u>	<u>(14,626)</u>	<u>(14,131)</u>

The notes on pages 13-26 form an integral part of these financial statements.

**California Topco Limited**

**COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020**

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Note	23	23		
At 4 September 2018	-	-	-	-
Subscription of share capital	6	489		495
Comprehensive loss for the year	-	-	(49)	(49)
At 31 March 2019	<u>6</u>	<u>489</u>	<u>(49)</u>	<u>446</u>
Comprehensive loss for the year	6	(6)	(84)	(84)
At 31 March 2020	<u>12</u>	<u>483</u>	<u>(133)</u>	<u>362</u>

**California Topco Limited**
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020**

	Year Ended March 2020	7 Month Period Ended March 2019
	£'000	£'000
<b>Operating Loss</b>	<b>(3,248)</b>	<b>(1,508)</b>
<i>Adjustments for</i>		
Depreciation	498	167
Amortisation of goodwill and intangible fixed assets	6,629	3,945
Increase in debtors	(1,077)	1,158
Increase in creditors	1,547	(155)
Tax paid	(247)	(304)
<b>Net cash flows from operating activities</b>	<b>4,102</b>	<b>3,303</b>
<b>Investing activities</b>		
Payments to acquire investments	5	(49,398)
Tangible fixed assets acquired	(1,677)	(257)
Intangible fixed assets acquired	(1,297)	(271)
<b>Net cash flows used in investing activities</b>	<b>(2,974)</b>	<b>(49,926)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital	-	495
Proceeds from issue of preference shares	-	24,988
Interest paid	(1,217)	(355)
Interest received	1	2
Repayment of loans - Lloyds Senior	(10,019)	(4,343)
Repayment of loans - Bridging Loan	(5,000)	-
Repayment of Loans - Loan Notes	(7,474)	-
Increase in borrowing - Lloyds Senior	20,907	30,041
Increase in borrowing - RCF	1,000	-
<b>Net cash flows from financing activities</b>	<b>(1,802)</b>	<b>50,828</b>
<b>Net cash increase during the period</b>	<b>(674)</b>	<b>4,205</b>
<b>Cash at the beginning of the period</b>	<b>4,205</b>	<b>-</b>
<b>Cash at the end of the period</b>	<b>3,531</b>	<b>4,205</b>

## California Topco Limited

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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#### 1 Corporate Information

The consolidated financial statements of California Topco Limited (the “group” or the “company”) for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the board of directors 26<sup>th</sup> August 2020

The company is a private company, limited by shares, and registered in England and Wales with number 11552117. The registered office of the company is 7 Marchmont Gate, Boundary Way, Hemel Hempstead, HP2 7BF.

The principal activity of the Group continues to be providing innovative teleradiology solutions to the UK Healthcare market. The principal activity of the Company is that of a holding company to its wholly owned subsidiary California Midco Limited.

#### 2 Basis of Preparation

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is United Kingdom Pounds Sterling (“GBP”). All amounts in the financial statements have been rounded to the nearest thousand pounds (£’000) unless indicated otherwise. The financial statements have been prepared on a going concern basis under the historical cost convention.

The financial statements of California Topco Limited incorporate the results of the company and its subsidiaries as detailed in note 12. The company was incorporated on 4 September 2018 and therefore these financial statements comparative information is in respect of the period 4 September 2018 to 31 March 2019.

The company has taken advantage of the exemption provided by s408 of The Companies Act 2006 not to publish a parent company statement of comprehensive income. The amount of loss recognised for the period in the parent company was £84,306.

#### 3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These judgements and estimates are based on the directors’ best knowledge of the relevant facts and circumstances, with regard to prior experience. Actual results may differ from the amounts included in these financial statements. Information about relevant judgements and estimates is set out below or in the other notes to the financial statements.

##### Judgements

In preparing these financial statements, the directors have not had to make any significant judgements that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next year.

##### Estimates and assumptions

In preparing these financial statements, the directors have not had to make any significant estimates or assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next year.

#### 4 Principal Accounting Policies

##### Going concern

The Group’s business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1 and the Directors’ Report on page 3.

Notwithstanding net liabilities of £14.131 million for the Group, as at 31 March 2020, and a loss for the period then ending of £9.414 million for the Group the financial statements of the Group and Company have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In July 2020, the directors of the Company undertook an assessment of the ability of the Company and Group to continue in operation and meet their liabilities as they fall due over the 20 month period to 31 March 2022.

The Directors prepared cash flow forecasts for the 20 month period to 31 March 2022 including a severe but plausible downside scenario reflecting a reduction in scan volumes as result of COVID-19 with normal volumes not

## California Topco Limited

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

returning until October 2020. Under all scenarios considered, the group was able to remain cash generative, and operate within its existing borrowing facilities and its adjusted financial covenants throughout the forecast period.

Further, the directors also considered the availability of the existing financing facilities, which at 31 March 2020 included bank loans of £22.78 million, of which £16.5 million is repayable in August 2025, £5.28 million is repayable in quarterly instalments to June 2024 and a £1 million revolving facility which was repaid in June 2020; shareholder loan notes of £20.9 million, including accrued interest, due for redemption in September 2026; and preference shares of £29.0 million, including accrued dividends, redeemable in September 2026.

In addition, subsequent to the year end, the Group repaid a short term revolving cash facility of £1.0 million, which had been drawn down in anticipation of business disruption caused by COVID19, however due to successful business continuity coupled with active liquidity management the group was able to repay these funds on 18 June 2020. This facility remains available but is not forecast to be required during the forecast period.

As set out in note 20 to the financial statements, the shareholder loan notes include a clause under which Note holders can request for the Notes to be repaid if certain conditions occur, ECI Partners LLP, the ultimate controlling party and holder of the majority of the loan notes and preference shares, have indicated that it does not intend to activate the redemption clauses and seek payment for any amounts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident, based on the circumstances outlined above, that the company and group will have sufficient funds to continue to meet their liabilities as they fall due for at least 20 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover comprises revenue earned from the rendering of services.

Turnover from the rendering of services is recognised in the period in which the services were provided and once performance obligations have been completed.

#### Impairment of intangible and tangible fixed assets

The directors determine whether there are indicators of impairment to both intangible and tangible fixed assets at each reporting date. If such indicators exist, the directors determine the recoverable amount of such fixed assets.

#### Intangible fixed assets

Intangible fixed assets include connectivity costs representing the capitalised expense of establishing a data connection with the customers where revenue is expected to be generated in future periods, software developments costs relating to the costs of researching and developing bespoke software to collate and report images to clients, and goodwill where the cost of purchasing an investment or an asset is greater than the fair value of the assets acquired. Intangible fixed assets are measured at cost less cumulative amortisation and any cumulative impairment losses.

Amortisation is charged to the profit and loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives are as follows:

- Software costs over 5 years straight-line basis
- Development costs over 5 years straight-line basis
- Goodwill over 10 years straight line basis, or over the life of the contract if different
- Contract related intangibles over 5 years straight line basis, or over the life of the contract if different

#### Tangible fixed assets

Tangible fixed assets are measured at cost in accordance with Section 17 Property, Plant and Equipment of FRS 102 less cumulated depreciation and any cumulated impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

- Fixtures & fittings: 15% reducing balance
- Equipment: over 5 years straight-line basis



**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**

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**Basic financial instruments**

Basic financial instruments including cash at bank, debtors and creditors are initially measured at transaction price in accordance with Section 11 Basic Financial Instruments of FRS 102.

**Cash at bank**

Cash and cash equivalents comprise cash balances and call deposits.

**Debtors**

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

**Creditors**

Short term creditors are measured at transaction price (which is usually the invoice price).

Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

**Taxation**

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.

Current and deferred tax assets and liabilities are not discounted.

**Provisions**

Provisions (i.e. liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

**Operating leases**

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

**Pensions**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

**Investments**

Investments in unquoted equity instruments are measured at fair value. Changes in fair value are recognised in profit or loss. Fair value is estimated by using a valuation technique.

# California Topco Limited

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

### 5 Acquisition and disposal of businesses

On September 17th 2018, the Group acquired control of Cloud Topco Limited and its subsidiaries for £49,398,000. The company's principal activity is providing innovative teleradiology solutions to the UK Healthcare market. The business contributed revenue of £11,111,142 and net profit of £1,689,952 to the Group revenue and net profit for period ended 31 March 2019.

	Book value	Fair value adjustments	Fair value acquired
	£'000	£'000	£'000
Intangible assets	6,023	(2,775)	3,248
Tangible fixed assets	840		840
Trade and other debtors	4,516		4,516
Cash	2,039		2,039
Trade and other creditors	(16,174)		(16,174)
<b>Net liabilities acquired</b>	<b>(2,756)</b>	<b>(2,775)</b>	<b>(5,531)</b>

#### Fair value of consideration

	Book value £'000
Cash consideration	48,509
Acquisition expenses	2,929
<b>Total consideration</b>	<b>51,438</b>
<b>Goodwill arising on consolidation</b>	<b>56,969</b>

#### **Net cash paid on acquisition**

Cash consideration	48,509
Cash acquired	(2,039)
Acquisition expenses	2,928

#### **Acquisition of subsidiary net of cash acquired**

**49,398**

#### Fair value adjustments

Pre-acquisition goodwill	(4,322)
Contract re-valuation	1,547
	<b>(2,775)</b>

**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)****6 Turnover**

All turnover relates to a single class of business – the provision of teleradiology services – and is all generated in the United Kingdom.

**7 Administrative expenses**

Included in administrative expenses are the following:

	<b>Year Ended March 2020 £'000</b>	<b>7 Month Period Ended March 2020 £'000</b>
Depreciation of owned fixed assets	498	167
Amortisation of intangible fixed assets	6,629	3,945
Auditor's remuneration for audit services	45	45
Auditor's remuneration for other tax services	9	34
	<u>          </u>	<u>          </u>

**8 Staff numbers and costs**

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	<b>2020 Employees</b>	<b>2019 Employees</b>
Management	6	6
Administration	31	23
Operations	81	64
	<u>          </u>	<u>          </u>
	<b>118</b>	<b>93</b>
	<u>          </u>	<u>          </u>

Included within administrative expenses are aggregate payroll costs including directors' emoluments as follows:

	<b>2020 12 Months £'000</b>	<b>2019 7 Months £'000</b>
Wages and salaries	1,827	765
Social security costs	209	100
Other pension costs	93	41
	<u>          </u>	<u>          </u>
	<b>2,129</b>	<b>906</b>
	<u>          </u>	<u>          </u>

**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)****9 Directors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>12 Months</b>	<b>7 Months</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	581	224
Group contributions to defined contribution pension plans	34	12
	<u>615</u>	<u>236</u>

The aggregate of emoluments paid to the highest-paid director was £282,838 (7 months 2019 - £100,896) including contributions to a defined contribution pension scheme of £20,000 (7 months 2019 - £5,468). Contributions were made to the defined contribution pension schemes of two directors in the year (2019 - three directors).

**10 Interest payable and similar expenses**

	<b>2020</b>	<b>2019</b>
	<b>12 Months</b>	<b>7 Months</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on shareholder bridging loan	173	249
Interest payable on shareholder loan notes	2,144	1,244
Dividend payable on preference shares	2,708	1,342
Interest payable on bank loans (see note 18)	796	257
Amortisation of bank loan issue costs	78	116
	<u>5,899</u>	<u>3,208</u>

**11 Taxation****Analysis of tax charge**

	<b>Year Ended</b>	<b>7 Month</b>
	<b>March 2020</b>	<b>Period Ended</b>
	<b>£000's</b>	<b>March 2019</b>
		<b>£000's</b>
<i>Current tax:</i>		
UK corporation tax on profits of the year at 19% (2019: 19%)	141	274
Adjustments in respect of prior periods	66	-
Total current tax charge	<u>207</u>	<u>274</u>

**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)****Deferred tax:**

Origination and reversal of timing differences	14	224
Adjustments in respect of prior periods	(22)	-
Effect of tax rate change on opening balance	69	-
Total deferred tax credit	<u>61</u>	<u>224</u>
Tax on profits on ordinary activities	<u>268</u>	<u>498</u>

	Year Ended 12 Months £'000	7 Month Period Ended 7 Months £'000
Loss for the year before tax	(9,146)	(4,714)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(1,737)	(896)
Effects of:		
Fixed Asset Differences	1	-
Expenses not deductible for tax purposes	1,376	940
Income not taxable for tax purposes	-	(8)
Additional deduction for R&D expenditure	-	(17)
Adjustments to tax charge in respect of prior periods	66	-
Adjustments to tax charge in respect of prior periods - deferred tax	(22)	-
Other permanent differences	515	255
Adjust deferred tax to average rate of 19%	69	224
Total tax expense included in profit or loss	<u>268</u>	<u>498</u>

**Factors that may affect future tax charges**

A UK corporation tax rate of 19% (effective 1 April 2020) was substantially enacted on 17 March 2020 reversing the previously enacted reduction in rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

The deferred Tax Liability at 31 March 2020 has been calculated at 19% (2019: 17%)

**California Topco Limited**
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**
**12 Investments**

	2020 £'000	2019 £'000
Investments in subsidiary companies	-	-
	-	-

The company has the following investments in subsidiary companies at 31 March 2020. All of these subsidiary companies have a registered office of 7 Marchmont Gate, Boundary Way, Hemel Hempstead HP2 7BF

*Directly held*

Company	Country incorporation	of % holding	Nature of business
California Midco Limited	England and Wales	100	Intermediate holding company

*Indirectly held via intermediate holding companies*

Company	Country incorporation	of % holding	Nature of business
California Bidco Limited	England and Wales	100	Intermediate holding company
Cloud Topco Limited	England and Wales	100	Intermediate holding company
Cloud Midco Limited	England and Wales	100	Intermediate holding company
Cloud Bidco Limited	England and Wales	100	Intermediate holding company
4 Ways Healthcare Limited	England and Wales	100	Provision of teleradiology services
4 Ways Telediagnostics Limited	England and Wales	100	Dormant
4 Ways Diagnostics Limited	England and Wales	100	Dormant

**13 Intangible fixed assets**

	Goodwill on investments £'000	Contract- related intangible £'000	Technology and Software £'000	Research and Development £'000	Total £'000
<b>Cost</b>					
At 31 March 2019	56,969	2,500	505	514	60,488
Additions	-	-	846	451	1,297
<b>At 31 March 2020</b>	<u>56,969</u>	<u>2,500</u>	<u>1,351</u>	<u>965</u>	<u>61,785</u>
<b>Amortisation</b>					
At 31 March 2019	(3,336)	(292)	(275)	(42)	(3,945)
Charge for the period	(5,719)	(500)	(205)	(205)	(6,629)
<b>At 31 March 2020</b>	<u>(9,055)</u>	<u>(792)</u>	<u>(480)</u>	<u>(247)</u>	<u>(10,574)</u>
<b>Net book value</b>					
At 31 March 2019	53,633	2,208	230	472	56,543
<b>At 31 March 2020</b>	<u>47,914</u>	<u>1,708</u>	<u>871</u>	<u>718</u>	<u>51,211</u>

**California Topco Limited**
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**
**14 Tangible Fixed Assets**

	<b>Fixtures, Fittings &amp; Equipment £'000</b>
<b>Cost</b>	
Balance at 31 March 2019	1,097
Additions	1,677
<b>Balance at 31 March 2019</b>	<u>2,774</u>
<b>Depreciation</b>	
Balance at 31 March 2019	(167)
Depreciation charge for the period	(498)
<b>Balance at 31 March 2019</b>	<u>(665)</u>
<b>Net book value</b>	
At 31 March 2019	930
At 31 March 2020	<u>2,109</u>

**15 Debtors**

	<b>2020 £'000</b>	<b>2019 £'000</b>
<i>Group</i>		
Trade debtors	4,077	3,125
Other debtors	25	27
Prepayments and accrued income	336	210
Corporation Tax	123	83
	<u>4,561</u>	<u>3,445</u>
<i>Company</i>		
Amounts owed by subsidiary companies	29,634	26,852
	<u>29,634</u>	<u>26,852</u>

"Amounts owed by subsidiary companies" accrue interest at a rate of 10% per year and are repayable on demand.

**California Topco Limited**
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)**
**16 Creditors: amounts falling due within one year**

	2020 £'000	2019 £'000
<i>Group</i>		
Bank loans (see note 18)	(1,282)	(442)
Shareholder bridging loan (see note 19)	-	(5,249)
Trade creditors	(2,358)	(1,591)
Other taxes and social security	(141)	(90)
Accruals and deferred income	(534)	(285)
	<u>(4,315)</u>	<u>(7,657)</u>
<i>Company</i>		
Accruals and deferred income	(32)	(31)
Amounts owed to subsidiary companies	(201)	(45)
	<u>(233)</u>	<u>(76)</u>

"Amounts owed to subsidiary companies" do not incur interest and are repayable on demand.

**17 Creditors: amounts falling due after one year**

	2020 £'000	2019 £'000
<i>Group</i>		
Bank loans (see note 18)	(20,703)	(9,096)
Shareholder loan notes (see note 20)	(20,901)	(26,232)
Preference shares (see note 21)	(29,039)	(26,330)
	<u>(70,643)</u>	<u>(61,658)</u>
<i>Company</i>		
Preference shares (see note 21)	(29,039)	(26,330)
	<u>(29,039)</u>	<u>(26,330)</u>



**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)****18 Bank loans**

On 2 August 2019 The Group undertook a refinancing of its debt, which resulted in a redemption of the balances owed by the group to Lloyds Bank, the repayment of the shareholder bridging loan (see note 19), the repayment of £7.5m of shareholder loan notes (see note 20), and the advancement of a new loan facility by Lloyds Bank to California Midco Limited of £22m. As part of this group refinancing the group companies have granted fixed and floating charges over their assets in favour of Lloyds Bank.

The loan is in two tranches: Facility A for £5,500,000 is repayable in quarterly instalments between December 2019 and June 2024; Facility B for £16,500,000 is repayable in full on 2 August 2025. Interest is charged on Facility A at LIBOR plus 3.25% p.a. and on Facility B at LIBOR plus 3.75% p.a.

On 20 March 2020 The Group drew down upon a Revolving Facility Loan of £1,000,000, interest on which is charged at LIBOR plus 3.25% p.a.

	2020 £'000	2019 £'000
Facility A	5,280	3,020
Facility B	16,500	7,000
Revolving facility	1,000	-
Un-amortised loan fees	(795)	(481)
	<u>21,985</u>	<u>9,539</u>
<i>Analysis of maturity of bank loans:</i>		
Within one year or on demand	1,282	442
Between one and five years	4,255	2,097
After five years	16,448	7,000
	<u>21,985</u>	<u>9,539</u>

**19 Shareholder bridging loan**

The shareholder bridging loan was advanced by certain of the shareholders in order to facilitate the purchase of the Cloud Topco group, the principal amount of £5m and all accumulated interest was fully repaid on 2 August 2019.

	2020 £'000	2019 £'000
Original balance	-	5,000
Interest accrued at 31 March 2019	-	249
	<u>-</u>	<u>5,249</u>

**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)****20 Shareholder loan notes**

The shareholder loan notes accrue interest at a daily rate equivalent to an annual rate of 10% pa and are due for redemption on 17th September 2026, or any date earlier as requested by written resolution of the Noteholders. The Loan Note Agreement includes a clause under which Note holders can request for a proportion of the Notes to be repaid earlier if certain conditions are met. These conditions include certain financial conditions as set out in the Senior Facility Agreement which specify a target range for certain financial conditions be met before repayment can be requested. As these conditions were not met as at 31 March 2020 and it was not forecast that they would be met in the subsequent 12 months, the Notes are recorded as non-current.

On 2 August 2019 the Group undertook a refinancing of its debt, which resulted in the repayment of shareholder loan notes amounting to £7,474,254.

	2020	2019
	£'000	£'000
Outstanding balance	17,514	24,988
Interest accrued at 31 March 2020	3,387	1,244
	<u>20,901</u>	<u>26,232</u>

**21 Preference shares**

On 17 September 2018 the company issued cumulative redeemable preference shares with a par value of £0.01 per share for a total consideration of £24,988,303. The shares attract a dividend of 10% pa which compounds on the anniversary of the original issue date if it is not paid. The company has no discretion as to whether to declare this dividend, and accordingly the preference shares have been classified as a financial liability. The preference shares together with any unpaid compounded dividends are redeemable by the company on or after 17 September 2026, or upon a sale of the company if earlier than this date.

	2020	2019
	£'000	£'000
Original balance	24,988	24,988
Dividend accrued at 31 March 2020	4,051	1,342
	<u>29,039</u>	<u>26,330</u>

**22 Deferred tax liabilities***Movement in deferred tax provision:*

Liability at start of year	524	-
Deferred tax on acquisition	-	300
Deferred tax charged in statement of comprehensive income for the year	61	224
	<u>585</u>	<u>524</u>
Deferred tax liability at end of year		

**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)****23 Share capital and share premium**

The company has the following share capital at 31 March 2020.

	Allotted, called up and fully paid				
	Authorised £	Authorised Number	Share premium £	Share capital £	Number
'A' Ordinary shares of £0.01 each	3,657	365,774	362,117	3,657	365,774
'B' Ordinary shares of £0.001 each	34	34,226	34,192	34	34,226
'C1' Ordinary shares of £0.01 each	350	35,000	29,700	300	30,000
'C2' Ordinary shares of £0.30 each	6,000	20,000	14,000	6,000	20,000
'C3' Ordinary shares of £0.035 each	1,575	45,000	43,425	1,575	45,000
	<u>11,616</u>	<u>500,000</u>	<u>483,434</u>	<u>11,566</u>	<u>495,000</u>

The 'A', 'B', 'C1', 'C2' and 'C3' Ordinary shares constitute different classes of shares, but otherwise confer the same rights and rank pari-passu except that in the event of a sale of the company the holders of the 'A' Ordinary shares rank more highly for distribution of any sale proceeds than holders of the other classes of Ordinary shares.

On 4<sup>th</sup> September 2018 100 'A' Ordinary shares were issued at a price of £0.01, the remaining 365,674 'A' Ordinary shares alongside the full 'B', 'C1', 'C2' and 'C3' Ordinary shares were issued as per the above schedule on 17<sup>th</sup> September 2018.

**24 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2020 £'000	2019 £'000
Less than one year	291	77
Between one and five years	921	153
More than five years	1,233	-
	<u>2,445</u>	<u>230</u>

The amount charged to the profit and loss account for the year in respect of operating lease charges was £101,589 (2019: £37,563)

**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)****25 Ultimate Controlling Party**

ECI Partners LLP are the ultimate controlling party, the Group represents the largest entity in which the results are consolidated.

**26 Related Parties**

Purchases of services are made on an arm's length basis and are reflective of market price, in the financial year ended 31 March 2020 service were purchased from Soar Limited, who share a Director with The Group, for consultancy services.

*Balances due*

	2020	2019
	£'000	£'000
Amounts owed to related parties	-	-

*Included in loss for the year*

	2020	2019
	12 Months	7 Months
	£'000	£'000
Purchase of goods and services from related parties	90	16

On 2 August 2019 The Group made repayments on the Shareholder Loan Notes (Note 20) and fully repaid the Bridging Loan (Note 19) due to ECI Partners LLP.

**27 Subsequent Events**

Subsequent to the balance sheet date, California Bidco Limited – a subsidiary company – repaid the revolving cash facility worth £1,000,000 at the balance sheet date.