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# California Topco Limited

Registered number 11552117  
Annual report and financial statements  
31 March 2019

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**California Topco Limited****REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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**Directors:** Ajay Chadha  
Adrian Evans  
Richard Holland  
Steven Kent  
George Moss

**Secretary:** Richard Holland

**Registered Office:** 7 Marchmont Gate  
Boundary Way  
Hemel Hempstead  
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 period 4 September 2018 to 31 March 2019.

#### Business Review and Strategy

On 17<sup>th</sup> September 2018 California Bidco Limited, a subsidiary of California Topco Limited, acquired Cloud Topco Limited and its subsidiaries. Following this acquisition 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. This strategy is fully supported and accelerated with the change in ultimate ownership. The key priority for the group 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 group has maintained its accreditation across certifications from ISAS and CQC, ISO 9001, ISO 27001 and IGSO version 13.

Below are the key points and changes in the group’s performance for the period following successful strategy execution:

- A further year of strong sales growth demonstrated by double-digit turnover increase
- Gross profit growth achieved in 2019
- Growth in take up of number of NHS trust customers, new products and service offerings
- Acceleration of profit as the business continues to scale
- Continuous improvements and investment into processes and technology platforms

#### Key Performance Indicators

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

	<b>2019</b>
	<b>£000</b>
Turnover	<b>11,111</b>
Gross profit	<b>4,118</b>
Gross profit margin %	<b>37.1%</b>
Operating Loss	<b>(1,508)</b>
Net liabilities	<b>(4,717)</b>

#### Going Concern

After making appropriate enquiries and preparing cash flow forecasts, the Board is satisfied that the group has adequate resources to continue in operation for at least 12 months from the date of approval of the financial statements. Therefore the financial statements have been prepared on a going concern basis. See Note 4 for more details.

#### Risks and Opportunities

The risk to the business of the group is budgetary pressure and constraint within NHS Trusts. This risk is mitigated by increased demand for the group’s services within the healthcare sector, 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 group arising from any Brexit scenario. We continue to monitor developments in relation to Coronavirus.

#### 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 as the business develops.

This report was approved by the board and signed on its behalf on 20 March 2020.



Richard Holland, **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 period 4 September 2018 to 31 March 2019.

#### 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 17 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 2019.

#### 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	(appointed 17 September 2018)
Adrian Evans	(appointed 17 September 2018)
Richard Holland	(appointed 17 September 2018)
Steven Kent	(appointed 17 September 2018)
Laura Morrill	(appointed 4 September 2018, resigned 17 September 2018)
George Moss	(appointed 4 September 2018)

#### 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 the group undertook a refinancing of its debt. This refinancing was effective on 2 August 2019 and resulted in a redemption of the balances owed by the group to Lloyds Bank (see note 18), 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.

#### 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 20 March 2020.



Richard Holland, **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 their 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 the 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.

**Opinion**

We have audited the financial statements of California Topco Limited ("the company") for the period ended 31 March 2019 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 2019 and of the group's loss for the period 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.

**The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and trade debtors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**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, including the impact of Brexit, 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.

## California Topco Limited

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

#### 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:

- 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

20 March 2020

**California Topco Limited****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31  
MARCH 2019**

	Note	2019 £000's
Turnover	6	11,111
Cost of sales		(6,993)
<b>Gross Profit</b>		<b>4,118</b>
Administrative Expenses	7	(5,626)
<b>Operating Loss</b>		<b>(1,508)</b>
Interest receivable and similar income		2
Interest payable and similar expenses	10	(3,208)
<b>Loss before taxation</b>		<b>(4,714)</b>
Tax charge on profit	11	(498)
<b>Loss for the period</b>		<b>(5,212)</b>
Other comprehensive income		0
<b>Total comprehensive loss for the period</b>		<b>(5,212)</b>

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

The notes on pages 12-25 form an integral part of these financial statements.



**California Topco Limited****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019**

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

The financial statements were approved by the Board of Directors on 20 March 2020 and were signed on its behalf by:



Richard Holland, **Director**  
Company registered number: 11552117

The notes on pages 12-25 form an integral part of these financial statements.

**California Topco Limited****COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019**

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	Note	2019 £000
<b>Fixed Assets</b>		
Investments in subsidiaries	12	-
<b>Current assets</b>		
Debtors	15	26,852
<b>Creditors</b>		
Amounts falling due within one year	16	(76)
Amounts falling due after more than one year	17	(26,330)
<b>Net assets</b>		
		<u>446</u>
<b>Capital and reserves</b>		
Called up share capital	23	(489)
Share premium account	23	(6)
Profit and loss account		49
<b>Total capital and reserves</b>		
		<u>(446)</u>

The financial statements were approved by the Board of Directors on 20 March 2020 and were signed on its behalf by:



Richard Holland, **Director**  
Company registered number: 11552117

The notes on pages 12-25 form an integral part of these financial statements.

**California Topco Limited****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019**

	<b>Share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Note:</b>	<b>23</b>	<b>23</b>		
<b>At 4 September 2018</b>				
Subscription of share capital	6	489		495
Comprehensive loss for the year			(5,212)	(5,212)
<b>At 31 March 2019</b>	<b>6</b>	<b>489</b>	<b>(5,212)</b>	<b>(4,717)</b>

The notes on pages 12-25 form an integral part of these financial statements.

**California Topco Limited****COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019**

	<b>Share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Note:</b>	<b>23</b>	<b>23</b>		
<b>At 4 September 2018</b>				
Subscription of share capital	6	489		495
Comprehensive loss for the year			(49)	(49)
<b>At 31 March 2019</b>	<b>6</b>	<b>489</b>	<b>(49)</b>	<b>446</b>

The notes on pages 12-25 form an integral part of these financial statements.

**California Topco Limited****CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019**

	<b>2019</b>
	<b>£'000</b>
<b>Operating Loss</b>	<b>(1,508)</b>
<i>Adjustments for</i>	
Depreciation	167
Amortisation of goodwill and intangible fixed assets	3,945
Decrease in debtors	1,158
Decrease in creditors	(155)
Tax charge for the period	0
Tax paid	(304)
<b>Net cash flows from operating activities</b>	<b>3,303</b>
<b>Investing activities</b>	
Payments to acquire investments	5 (49,398)
Tangible fixed assets acquired	(257)
Intangible fixed assets acquired	(271)
<b>Net cash flows used in investing activities</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	(355)
Interest received	2
Repayment of loans	(4,343)
Increase in borrowing	30,041
<b>Net cash flows from financing activities</b>	<b>50,828</b>
<b>Net cash increase during the period</b>	<b>4,205</b>
<b>Cash at the beginning of the period</b>	
<b>Cash at the end of the period</b>	<b>4,205</b>

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

## **1 Corporate Information**

The consolidated financial statements of California Topco Limited (the “group” or the “company”) for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the board of directors dated 20 March 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 present information in respect of the period 4 September 2018 to 31 March 2019. No comparative information is presented.

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 £48,650.

## **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**

Notwithstanding net liabilities of £4,717,446 for the group, as at 31 March 2019, a loss for the period then ended of £5,212,606 for the group, and operating cash inflow for the period of £3,303,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company and group will have sufficient funds, through funding from ECI Partners LLP, to meet their liabilities as they fall due for that period.

Those forecasts are dependent on ECI Partners LLP not seeking repayment of the amounts currently due to the company, which at 31 March 2019 amounted to £45,700,303. ECI Partners LLP has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. 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.

In addition subsequent to the year end the group undertook a refinancing of its debt, as detailed in note 18, which increased the Group's bank facility by £12m, from £10m to £22m.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 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

**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 (Group) 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 the year.

	<b>Book value</b>	<b>Fair value adjustments</b>	<b>Fair value acquired</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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**

	<b>Book value £'000</b>
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>
<b>Net cash paid on acquisition</b>	
Cash consideration	48,509
Cash acquired	(2,039)
Acquisition expenses	2,928
<b>Acquisition of subsidiary net of cash acquired</b>	<b>49,398</b>

**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>2019</b>
	<b>£'000</b>
Depreciation of owned fixed assets	167
Amortisation of intangible fixed assets	3,945
Auditor's remuneration for audit services	45
Auditor's remuneration for other tax services	34
	<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>2019</b>
	<b>Employees</b>
Management	6
Administration	23
Operations	64
	<u>          </u>
	<b>93</b>
	<u>          </u>

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

	<b>2019</b>
	<b>£000</b>
Wages and salaries	765
Social security costs	100
Other pension costs	41
	<u>          </u>
	906
	<u>          </u>

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

	<b>2019</b>
	<b>£000</b>
Wages and salaries	224
Group contributions to defined contribution pension plans	12
	<hr/>
	236
	<hr/> <hr/>

The aggregate of emoluments paid during the period to the highest-paid director was £100,896 including contributions to a defined contribution pension scheme of £5,468. Contributions were made to the defined contribution pension schemes of three directors in the period.

**10 Interest payable and similar expenses**

	<b>2019</b>
	<b>£'000</b>
Interest payable on shareholder bridging loan	249
Interest payable on shareholder loan notes	1,244
Dividend payable on preference shares	1,342
Interest payable on bank loans (see note 18)	257
Amortisation of bank loan issue costs	116
	<hr/>
	3,208
	<hr/> <hr/>

**11 Taxation**

## Analysis of tax charge

	<b>2019</b>
	<b>£'000</b>
<i>Current tax:</i>	
UK corporation tax on profits of the year at 19% (2018: 19%)	274
Total current tax charge	<hr/> 274
<i>Deferred tax:</i>	
Origination and reversal of timing differences	224
Total deferred tax credit	<hr/> 224
Tax on profits on ordinary activities	<hr/> <hr/> 498

**California Topco Limited**NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)***11 Taxation cont.**

	<b>2019</b>
	<b>£'000</b>
Loss for the year before tax	(4,714)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(896)
Effects of:	
Expenses not deductible for tax purposes	940
Income not taxable for tax purposes	(8)
Additional deduction for R&D expenditure	(17)
Other permanent differences	255
Adjust deferred tax to average rate of 19%	224
Total tax expense included in profit or loss	<u>498</u>

## Factors that may affect future tax charges

A reduction in the UK corporation tax from 19% to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the group's future current tax charge accordingly.

Any deferred tax at 31 March 2019 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

**12 Investments**

	<b>2019</b>
	<b>£</b>
Investments in subsidiary companies	1
	<u>1</u>

The company has the following investments in subsidiary companies at 31 March 2019. All of these subsidiary companies have a registered office of 7 Marchmont Gate, Boundary Way, Hemel Hempstead HP2 7BF

*Directly held*

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

*Indirectly held via intermediate holding companies*

<b>Company</b>	<b>Country of incorporation</b>	<b>of % holding</b>	<b>Nature of business</b>
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 Telediagnosics Limited	England and Wales	100	Dormant
4 Ways Diagnostics Limited	England and Wales	100	Dormant

**California Topco Limited**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

**13 Intangible fixed assets**

	Goodwill on investments	Contract- related intangible	Technology and Software	Research and Development	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 4 September 2018	-	-	-	-	-
Acquisitions	56,969	2,500	356	392	60,217
Additions			149	122	271
<b>At 31 March 2019</b>	<u>56,969</u>	<u>2,500</u>	<u>505</u>	<u>514</u>	<u>60,488</u>
<b>Amortisation</b>					
At 4 September 2018					
Charge for the period	(3,336)	(292)	(275)	(42)	(3,945)
<b>At 31 March 2019</b>	<u>(3,336)</u>	<u>(292)</u>	<u>(275)</u>	<u>(42)</u>	<u>(3,945)</u>
<b>Net book value</b>					
At 4 September 2018	-	-	-	-	-
<b>At 31 March 2019</b>	<u>53,633</u>	<u>2,208</u>	<u>230</u>	<u>472</u>	<u>56,543</u>

**14 Tangible Fixed Assets**

	Fixtures, Fittings & Equipment £'000
<b>Cost</b>	
Balance at 4 September 2018	
On Acquisition	840
Additions	257
<b>Balance at 31 March 2019</b>	<u>1,097</u>
<b>Depreciation</b>	
Balance at 4 September 2018	
Depreciation charge for the period	(167)
<b>Balance at 31 March 2019</b>	<u>(167)</u>
<b>Net book value</b>	
At 4 September 2018	-
<b>At 31 March 2019</b>	<u>930</u>

**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)****15 Debtors**

	<b>2019</b>
	<b>£'000</b>
<i>Group</i>	
Trade debtors	3,125
Other debtors	27
Prepayments and accrued income	210
Corporation Tax	83
	<hr/>
	<b>3,445</b>
	<hr/> <hr/>
	<b>2019</b>
	<b>£'000</b>
<i>Company</i>	
Amounts owed by subsidiary companies	26,852
	<hr/>
	<b>26,852</b>
	<hr/> <hr/>

“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**

	<b>2019</b>
	<b>£'000</b>
<i>Group</i>	
Bank loans (see note 18)	(569)
Unamortised bank loan issue costs	127
Shareholder bridging loan (see note 19)	(5,249)
Trade creditors	(1,591)
Other taxes and social security	(90)
Accruals and deferred income	(285)
	<hr/>
	<u>(7,657)</u>
 <i>Company</i>	
Accruals and deferred income	(31)
Amounts owed to subsidiary companies	(45)
	<hr/>
	<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**

	<b>2019</b>
	<b>£'000</b>
<i>Group</i>	
Bank loans (see note 18)	(9,451)
Unamortised bank loan issue costs	355
Shareholder loan notes (see note 20)	(26,232)
Preference shares (see note 21)	(26,330)
	<hr/>
	<u>(61,658)</u>
 <i>Company</i>	
Preference shares (see note 21)	(26,330)

**18 Bank loans**

Bank loans are secured by way of fixed and floating charges against companies in the California Topco Limited group. The loan is in two tranches: Facility A for £3,500,000 is repayable in quarterly instalments between March

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

2018 and November 2022; Facility B for £7,000,000 is repayable in full on 24 November 2023. Interest is charged on Facility A at LIBOR plus 3.5% pa and on Facility B at LIBOR plus 4.5% pa.

	<b>2019</b>
	<b>£'000</b>
Facility A	3,020
Facility B	7,000
	<hr/>
	10,020
	<hr/> <hr/>
<i>Analysis of maturity of bank loans:</i>	
Within one year or on demand	569
Between one and five years	2,451
After five years	7,000
	<hr/>
	10,020
	<hr/> <hr/>

Subsequent to the balance sheet date the group undertook a refinancing of its debt. This refinancing was effective on 2 August 2019 and 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.

**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 original amount of the facility was £5m. The shareholder bridging loan accrues interest at 10%pa and was fully repaid on 2<sup>nd</sup> August 2019.

	<b>2019</b>
	<b>£'000</b>
Original balance	5,000
Interest accrued at 31 March 2019	249
	<hr/>
	5,249
	<hr/> <hr/>



## 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 17<sup>th</sup> 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 if certain conditions are met. These conditions were not met as at 31 March 2019 and it was not forecast that they would be met in the subsequent 12 months and hence the Notes are recorded as non current

	<b>2019</b>
	<b>£'000</b>
Original balance	24,988
Interest accrued at 31 March 2019	1,244
	<hr/>
	<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.

	<b>2019</b>
	<b>£'000</b>
Original balance	24,988
Dividend accrued at 31 March 2019	1,342
	<hr/>
	<u>26,330</u>

**California Topco Limited****NOTES FORMING PART OF THE FINANCIAL STATEMENTS** *(continued)***22 Deferred tax assets and liabilities**

	<b>2019</b>
	<b>£'000</b>
Accelerated capital allowances	533
Short-term timing differences	(9)
Other deferred tax	-
	<hr/>
Total deferred tax liability	524
	<hr/> <hr/>
	<b>2019</b>
	<b>£'000</b>
<i>Movement in deferred tax provision:</i>	
Liability at start of year	-
Deferred tax on acquisition	300
Deferred tax charged in statement of comprehensive income for the year	224
Deferred tax liability at end of year	524
	<hr/> <hr/>
Deferred tax liability not recognised	-
	<hr/> <hr/>

**23 Share capital and share premium**

The company has the following share capital at 31 March 2019.

	Authorised	Authorised	Allotted, called up and fully paid		
	£	Number	Share premium	Share capital	
			£	£	Number
'A' Ordinary shares of £0.01 each	3,656.74	365,774	362,116	3,657	365,774
'B' Ordinary shares of £0.001 each	34.23	34,226	34,192	34	34,226
'C1' Ordinary shares of £0.01 each	350.00	35,000	29,700	300	30,000
'C2' Ordinary shares of £0.03 each	600.00	20,000	19,400	600	20,000
'C3' Ordinary shares of £0.035 each	1,575.00	45,000	43,425	1,575	45,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,215.97	500,000	488,883	6,166	495,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**California Topco Limited**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

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**24 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	<b>2019</b>
	<b>£'000</b>
Less than one year	77
Between one and five years	153
More than five years	-
	<hr/>
	230
	<hr/> <hr/>

The amount charged to the profit and loss account for the year in respect of operating lease charges was £37,563.

**25 Ultimate Controlling Party**

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