California Topco Limited

Registered number 11552117

Annual report and financial statements

31 March 2022

Contents and general information

Directors: Ajay Chadha
Susan Veness
Steven Kent
George Moss

Registered Office: Nexus House
Boundary Way
Hemel Hempstead
Hertfordshire
HP2 7SJ

Registered Number: 11552117

Auditor: KPMG LLP
58 Clarendon Road
Watford
WD17 1DE

The directors present their strategic report of the activities of California Topco Limited (the "Group" or the "Company") for the year end 31 March 2022.

Business Review and Strategy
The Group 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 business 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 business 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 Group's performance for the year:

- There has been a significant increase in volumes as the NHS started its recovery from the impact of Coronavirus, leading to a 71% year on year increase in turnover. The effect was not seen uniformly across all parts of the business, with routine volumes more than doubling, having seen major decreases in the prior year, while out of hours services continued the strong pattern of growth seen throughout the pandemic.
- Operating profit in 4 Ways Healthcare Limited, the trading company within the Group, increased 238% year on year, driven by higher volumes.
- All operational staff came off furlough in the first two months of the financial year and employee numbers were increased further to cope with sustained growth in the business.
- Continued investment in core infrastructure and technology to support future growth.
- Further additions of key hires strengthening the Senior Management and Leadership Teams.
- All of the above are underpinned by continued strong long-term growth in the teleradiology market, as a result of high growth in demand for the reporting of scans and limited numbers of radiologists.

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

	2022	**2021**
	£'000	**£'000**
Turnover	**34,488**	**20,225**
Gross profit	**12,354**	**6,664**
Gross profit margin %	**35.8%**	**32.9%**
Operating loss	**(1,474)**	**(4,712)**
Net liabilities	**(32,738)**	**(24,617)**

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.

The Group has net liabilities of £32.738 million as at 31 March 2022 (*2021: £24.617 million*), and a loss for the year then ended of £8.141 million (*2021: £10.486 million*). These losses arise principally from amortisation of goodwill, as well as preference share dividends on shareholder borrowings, all of which are non-cash items. The Group generated net cash inflows from operating activities of £4.928 million (*2021: £3.960 million*). Notwithstanding these net liabilities and losses, 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.

The directors undertook an assessment of the ability of the Group and Company to continue in operation and meet their liabilities as they fall due. The latest assessment covers a period to 30 September 2023.

The directors have prepared cash flow forecasts in order to assess going concern which indicates that, taking account of possible downsides, including no revenue growth from June 2022, the Group and Company will have sufficient funds, through its existing facilities, to meet its liabilities as they fall due during the going concern assessment period. Under all scenarios considered, the Group was able to remain cash generative, and operate within its existing borrowing facilities and its financial covenants throughout the forecast period.

Further, the directors also considered the availability of the existing financing facilities, which at 31 March 2022 included bank loans of £36.06 million, of which £31.55 million is repayable in August 2025 and £4.51 million is repayable in quarterly instalments to June 2024 (and this is reflected in the cash flow forecasts); shareholder loan notes of £8.45 million, including accrued interest, due for redemption in September 2026; and preference shares of £35.05 million, including accrued dividends, redeemable in September 2026. As set out in note 19, in May 2022 a further £6.35 million of shareholder loan notes and accrued interest were repaid and a new bank loan facility taken out of £4.0 million, repayable in August 2025.

Consequently, the directors are confident, based on the circumstances outlined above, that the Group and Company will have sufficient funds to continue to meet their 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.

Risks and Opportunities

The impact of Coronavirus on the NHS has been widely reported. As the NHS has started its journey of recovery the Group has experienced an increase in the number of scans outsourced by the NHS. The flexibility of the Group's cost base and operating model has allowed it to rapidly increase volumes in line with demand to support the NHS as it moves forward.

During the year volumes have increased above and beyond levels seen before the impact of Coronavirus and volumes have continued to grow after the year end.

The ongoing business as usual risk to the Company is budgetary pressure and constraint within NHS Trusts, albeit teleradiology services are now viewed as essential outsourced services for 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.

Employment Matters

The Company and Group are an equal opportunities employer and take account of ongoing changes to pensions, flexible working and modern slavery policy. The Company and Group have a highly skilled and stable team of employees and the Company and Group endeavours to keep informed and engaged about matters relevant to them. The Company and 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 2 August 2022.

Susan Veness, **Director**

The directors present their report and the financial statements for California Topco Limited (the "Group" or the "Company") for the year end 31 March 2022.

Principal activities
The Group's principal activity during the year was providing innovative teleradiology solutions to the UK Healthcare market through its wholly owned subsidiary company 4 Ways Healthcare Limited.

Results and dividends
The statement of comprehensive income is set out on page 8 and shows the loss for the year.

The directors do not recommend the payment of a dividend for the year ended 31 March 2022.

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 (resigned 30 July 2021)
Steven Kent
George Moss
Susan Veness

Political contributions
The Group made no political donations and did not incur 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.

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 2 August 2022.

Susan Veness, Director

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 Group and parent company 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.

Opinion

We have audited the financial statements of California Topco Limited ("the Company") for the year ended 31 March 2022 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 2022 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that revenue is overstated through recording revenues in the wrong period
- the risk that management may be in a position to make inappropriate accounting entries

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included revenue and cash journals posted to unusual accounts and journals with narrative explanations containing specific words.
- Agreeing a sample of revenue transactions to supporting documentation and understanding significant fluctuations in radiologist volumes around the year end to assess whether revenue had been recorded in the correct accounting period.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law and data protection laws recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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.

DSimpson

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: 2 August 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Turnover	5	34,488	20,225
Cost of sales		(22,134)	(13,561)
Gross Profit		12,354	6,664
Administrative Expenses	7	(13,833)	(11,739)
Other Income	6	5	363
Operating Loss		(1,474)	(4,712)
Interest receivable and similar income	10	5	-
Interest payable and similar expenses	11	(6,312)	(5,861)
Loss before taxation		(7,781)	(10,573)
Tax (charge)/credit on loss	12	(360)	87
Loss for the year		(8,141)	(10,486)
Other comprehensive income		-	-
Total comprehensive loss for the year		(8,141)	(10,486)

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

The notes on pages 14-27 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

	Note	2022	2021
		£'000	£'000
Fixed Assets			
Goodwill	14	36,476	42,195
Intangible assets	14	1,281	2,860
Tangible assets	15	1,721	1,835
		39,478	46,890
Current assets			
Debtors	16	5,714	3,115
Cash at bank		5,141	4,233
		10,855	7,348
Creditors			
Amounts falling due within one year	17	(5,762)	(3,206)
Net current assets		5,093	4,142
Total assets less current liabilities		45,571	51,032
Creditors			
Amounts falling due after more than one year	18	(77,083)	(75,208)
Provisions			
Deferred taxation	22	(226)	(441)
Net liabilities		(32,738)	(24,617)
Capital and reserves			
Called up share capital	23	27	12
Share premium account	23	488	483
Profit and loss account		(33,253)	(25,112)
Total capital and reserves		(32,738)	(24,617)

The financial statements were approved by the Board of Directors on 2 August 2022 and were signed on its behalf by:

Susan Veness, Director
Company registered number: 11552117

The notes on pages 14-27 form an integral part of these financial statements.

California Topco Limited

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Fixed Assets			
Investments in subsidiaries	13	-	-
		-	-
Current assets			
Debtors	16	36,096	32,541
		36,096	32,541
Creditors			
Amounts falling due within one year	17	(783)	(452)
Net current assets		35,313	32,089
Total assets less current liabilities		35,313	32,089
Creditors			
Amounts falling due after more than one year	18	(35,045)	(31,804)
Net assets		268	285
Capital and reserves			
Called up share capital	23	27	12
Share premium account	23	488	483
Profit and loss account		(247)	(210)
Total capital and reserves		268	285

The financial statements were approved by the Board of Directors on 2 August 2022 and were signed on its behalf by:

Susan Veness, Director
Company registered number: 11552117

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Note	23	23		
At 31 March 2020	**12**	**483**	**(14,626)**	**(14,131)**
Comprehensive loss for the year	-	-	(10,486)	(10,486)
At 31 March 2021	**12**	**483**	**(25,112)**	**(24,617)**
Share issue	15	5	-	20
Comprehensive loss for the year	-	-	(8,141)	(8,141)
At 31 March 2022	**27**	**488**	**(33,253)**	**(32,738)**

The notes on pages 14-27 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Note	**23**	**23**		
At 31 March 2020	**12**	**483**	**(133)**	**362**
Comprehensive loss for the year	-	-	(77)	(77)
At 31 March 2021	**12**	**483**	**(210)**	**285**
Share issue	15	5	-	20
Comprehensive loss for the year	-	-	(37)	(37)
At 31 March 2022	**27**	**488**	**(247)**	**268**

California Topco Limited

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	£'000	£'000
Operating Loss	(1,474)	(4,712)
Adjustments for		
Depreciation	626	597
Amortisation of goodwill and intangible fixed assets	7,581	6,790
Loss on disposal of tangible fixed assets	39	-
(Increase)/decrease in debtors	(2,599)	1,323
Increase/(decrease) in creditors	955	(211)
Tax (paid)/received	(200)	173
Net cash flows from operating activities	4,928	3,960
Investing activities		
Tangible fixed assets acquired	(551)	(323)
Intangible fixed assets acquired	(283)	(634)
Net cash flows used in investing activities	(834)	(957)
Financing activities		
Interest paid	(4,774)	(848)
Interest received	5	-
Issue of ordinary share capital	20	-
Repayment of loans - Loan Notes	(12,637)	-
Repayment of loans - RCF	-	(1,000)
Increase in/(repayment of) borrowings - Lloyds Senior	14,200	(453)
Net cash flows from financing activities	(3,186)	(2,301)
Net cash increase during the year	908	702
Cash at the beginning of the year	4,233	3,531
Cash at the end of the year	5,141	4,233

The notes on pages 14-27 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 2022 were authorised for issue in accordance with a resolution of the board of directors on 2 August 2022.

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 Nexus House, Boundary Way, Hemel Hempstead, HP2 7SJ.

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 13. Comparative figures are for the twelve months ended 31 March 2021.

The Company has taken advantage of the exemption provided by section 408 of The Companies Act 2006 not to publish a parent company statement of comprehensive income. The amount of loss recognised for the year in the parent company was £37,102.

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.

The Group has net liabilities of £32.738 million as at 31 March 2022 (*2021: £24.617 million*), and a loss for the year then ended of £8.141 million (*2021: £10.486 million*). These losses arise principally from amortisation of goodwill, as well as preference share dividends on shareholder borrowings, all of which are non-cash items. The Group generated net cash inflows from operating activities of £4.928 million (*2021: £3.960 million*). Notwithstanding these net liabilities and losses, 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.

The directors undertook an assessment of the ability of the Group and Company to continue in operation and meet their liabilities as they fall due. The latest assessment covers a period to 30 September 2023.

4 Principal Accounting Policies (continued)

Going concern (continued)
The directors have prepared cash flow forecasts in order to assess going concern which indicates that, taking account of possible downsides, including no revenue growth from June 2022, the Group and Company will have sufficient funds, through its existing facilities, to meet its liabilities as they fall due during the going concern assessment period. Under all scenarios considered, the Group was able to remain cash generative, and operate within its existing borrowing facilities and its financial covenants throughout the forecast period.

Further, the directors also considered the availability of the existing financing facilities, which at 31 March 2022 included bank loans of £36.06 million, of which £31.55 million is repayable in August 2025 and £4.51 million is repayable in quarterly instalments to June 2024 (and this is reflected in the cash flow forecasts); shareholder loan notes of £8.45 million, including accrued interest, due for redemption in September 2026; and preference shares of £35.05 million, including accrued dividends, redeemable in September 2026. As set out in note 19, in May 2022 a further £6.35 million of shareholder loan notes and accrued interest were repaid and a new bank loan facility taken out of £4.0 million, repayable in August 2025.

Consequently, the directors are confident, based on the circumstances outlined above, that the Group and Company will have sufficient funds to continue to meet their 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 developing bespoke software to collate and report images to clients, contract related intangible assets relating to existing contracts obtained on acquisition of the business, 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

4 Principal Accounting Policies (continued)

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 years. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous year.

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.

Government grants
Government grants are credited to the statement of comprehensive income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. These have been presented in the statement of comprehensive income as other income.

5 Turnover

Turnover relates to a single class of business – the provision of teleradiology services – all of which is generated in the United Kingdom.

6 Government Grants

Other income comprises governments grants totalling £4,659 (2021: £362,603), received under the Coronavirus Job Retention Scheme (CJRS), of which £nil (2021: £8,144) remains outstanding at year end within Other Debtors. The amounts received have been recognised in the financial statements under the accruals model.

7 Administrative expenses

Included in administrative expenses are the following:

	2022 £'000	2021 £'000
Depreciation of owned fixed assets	626	597
Amortisation of intangible fixed assets	7,581	6,790
Loss on disposal of fixed assets	39	-
Auditor's remuneration for audit services	59	57
Auditor's remuneration for other tax services	31	22

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:

	2022 Employees	2021 Employees
Management	6	6
Administration	37	35
Operations	88	80
	131	121

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

	2022 £'000	2021 £'000
Wages and salaries	2,442	1,939
Social security costs	236	210
Other pension costs	77	71
	2,755	2,220

9 Directors' remuneration

	2022	2021
	£'000	£'000
Wages and salaries	509	582
Group contributions to defined contribution pension plans	44	33
	553	615

The aggregate of emoluments paid to the highest-paid director was £276,330 (2021 - £265,667) including contributions to a defined contribution pension scheme of £34,484 (2021 - £17,667). Contributions were made to the defined contribution pension schemes of two directors in the year (2021 – two directors).

10 Interest receivable and similar income

	2022	2021
	£'000	£'000
Interest receivable on loans to director (see note 27)	5	-
	5	-

11 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest payable on shareholder loan notes	1,873	2,091
Dividend payable on preference shares	3,241	2,765
Interest payable on bank loans (see note 18)	993	846
Amortisation of bank loan issue costs	205	159
	6,312	5,861

12 Taxation

Analysis of tax charge

	2022	2021
	£'000	£'000
Current tax:		
UK corporation tax on losses for the year at 19% (2021: 19%)	768	40
Adjustments in respect of prior periods	(193)	17
Total current tax charge	575	57

12 Taxation (continued)

Analysis of tax charge (continued)

	2022	2021
	£'000	£'000
Deferred tax:		
Origination and reversal of timing differences	(322)	(128)
Adjustments in respect of prior periods	40	(16)
Effect of tax rate change on opening balance	67	-
Total deferred tax credit	(215)	(144)
Tax charge/(credit) on losses on ordinary activities	360	(87)

Reconciliation of effective tax rate

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2022	2021
	£'000	£'000
Loss for the year before tax	(7,781)	(10,573)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,478)	(2,009)
Effects of:		
Fixed Asset Differences	2	2
Expenses not deductible for tax purposes	1,944	1,919
Adjustments to current tax charge in respect of prior periods	(193)	17
Adjustments to deferred tax charge in respect of prior periods	40	(16)
Effect of tax rate change on opening balance	45	-
Total tax (credit)/charge included in profit or loss	360	(87)

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly.

The deferred tax liability at 31 March 2022 has been calculated at 25% (2021: 19%), reflecting the expected timing of reversal of the related timing differences.

13 Investments

	2022 £'000	2021 £'000
Investments in subsidiary companies	-	-
	-	-

The Company has the following investments in subsidiary companies at 31 March 2022. All of these subsidiary companies have a registered office of Nexus House, Boundary Way, Hemel Hempstead HP2 7SJ

Directly held

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

Indirectly held via intermediate holding companies

Company	Country of incorporation	% 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

14 Intangible fixed assets

	Goodwill on investments	Contract-related intangible	Technology and Software	Development costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 March 2021	56,969	2,500	1,740	1,210	62,419
Additions	-	-	87	196	283
Disposals	-	-	(142)	-	(142)
At 31 March 2022	56,969	2,500	1,685	1,406	62,560
Amortisation					
At 31 March 2021	(14,774)	(1,292)	(825)	(473)	(17,364)
Charge for the year	(5,719)	(1,208)	(356)	(298)	(7,581)
Disposals	-	-	142	-	142
At 31 March 2022	(20,493)	(2,500)	(1,039)	(771)	(24,803)
Net book value					
At 31 March 2021	42,195	1,208	915	737	45,055
At 31 March 2022	36,476	-	646	635	37,757

15 Tangible Fixed Assets

	Fixtures, Fittings & Equipment £'000
Cost	
Balance at 31 March 2021	3,097
Additions	551
Disposals	(1,914)
Balance at 31 March 2022	**1,734**
Depreciation	
Balance at 31 March 2021	(1,262)
Depreciation charge for the year	(626)
Disposals	1,875
Balance at 31 March 2022	**(13)**
Net book value	
Balance at 31 March 2021	1,835
Balance at 31 March 2022	**1,721**

16 Debtors

	2022 £'000	2021 £'000
Group		
Trade debtors	4,941	2,589
Other debtors	292	134
Prepayments and accrued income	481	392
	5,714	3,115
Company		
Other debtors	256	101
Amounts owed by subsidiary companies	35,840	32,440
	36,096	32,541

Other debtors for the Group and Company includes £255,527 (*2021: £100,792*) which is due after more than one year (see note 27).

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

17 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Group		
Bank loans (see note 19)	(1,506)	(279)
Trade creditors	(2,853)	(1,970)
Corporation tax liability	(481)	(107)
Other taxes and social security	(165)	(472)
Accruals and deferred income	(757)	(378)
	(5,762)	(3,206)
Company		
Accruals and deferred income	(84)	-
Amounts owed to subsidiary companies	(699)	(452)
	(783)	(452)

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

18 Creditors: amounts falling due after one year

	2022	2021
	£'000	£'000
Group		
Bank loans (see note 19)	(33,591)	(20,412)
Shareholder loan notes (see note 20)	(8,447)	(22,992)
Preference shares (see note 21)	(35,045)	(31,804)
	(77,083)	(75,208)
Company		
Preference shares (see note 21)	(35,045)	(31,804)
	(35,045)	(31,804)

19 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, 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 Bidco 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.

A further refinancing of the Group's debt took place on 24 December 2021, which resulted in the repayment of £16.417m of shareholder loan notes and accrued interest (see note 20), and the addition of a new loan facility by Lloyds Bank to California Bidco Limited of £14.88m. As part of this Group refinancing the Group companies have granted additional fixed and floating charges over their assets in favour of Lloyds Bank.

The loan is in three tranches: Facility A for £5.5m is repayable in quarterly instalments between December 2019 and June 2024; Facility B for £16.5m is repayable in full on 2 August 2025. Facility C for £14.88 is repayable in full on 2 August 2025. Interest is charged on Facility A at SONIA plus 3.58% p.a., on Facility B at SONIA plus 4.33% p.a., and on Facility C at SONIA plus 4.33% p.a.

	2022	2021
	£'000	£'000
Facility A	4,510	4,840
Facility B	16,500	16,500
Facility C	15,054	-
Unamortised loan fees	(967)	(649)
	35,097	20,691
Analysis of maturity of bank loans:		
Within one year or on demand	1,506	279
Between one and five years	33,591	20,412
	35,097	20,691

At the year end £173,563 of accrued interest owed on Facility C was not automatically taken by Lloyds Bank. This amount was manually transferred to Lloyds Bank on 6 April 2022.

Subsequent to the year end a further refinancing of the Group's debt took place on 16 May 2022, which resulted in the repayment of £6.347m of shareholder loan notes and accrued interest (see note 20), and the addition of a new loan facility by Lloyds Bank to California Bidco Limited of £4.00m. As part of this Group refinancing the Group companies have granted additional fixed and floating charges over their assets in favour of Lloyds Bank. Facility D for £4.00m is repayable in full on 2 August 2025. Interest is charged on Facility D at SONIA plus 4.49% p.a.

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.

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. A further refinancing of the Group's debt took place on 24 December 2021, which resulted in the repayment on 30 December 2021 of £12,636,573 of shareholder loan notes and £3,780,353 of accrued interest.

	2022	2021
	£'000	£'000
Original balance	4,877	17,514
Interest accrued at 31 March	3,570	5,478
	8,447	22,992

Subsequent to the year end a further refinancing of the Group's debt took place on 16 May 2022, which resulted in the repayment on 18 May 2022 of £2,737,164 of shareholder loan notes and £3,609,836 of accrued interest.

On 15 March 2021, £15,905,395 of the A1 to A10 investor loan notes held by ECI Partners LLP were admitted to the official list of the International Stock Exchange. On 11 January 2022 £12,006,710 of the A1 to A10 investor loan notes were partially delisted. On 17 February 2022 £3,089,817 of Payment In Kind (PIK) notes on the A1 to A10 investor loan notes were admitted to the official list of the International Stock Exchange. Subsequent to the year end, on 24 May 2022, £2,342,886 of the A1 to A10 investor loan notes were partially delisted and the PIK notes on the A1 to A10 investor loan notes were fully delisted.

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.

	2022	2021
	£'000	£'000
Original balance	24,988	24,988
Dividend accrued at 31 March 2021	10,057	6,816
	35,045	31,804

22 Deferred tax liabilities

	2022	2021
	£'000	£'000
Accelerated capital allowances	391	226
Short-term timing differences	(165)	(24)
Other deferred tax	-	239
Total deferred tax liability	226	441

22 Deferred tax liabilities (continued)

Movement in deferred tax provision:

	2022 £'000	2021 £'000
Deferred tax liability at start of year	441	585
Deferred tax credited in statement of comprehensive income for the year	(215)	(144)
Deferred tax liability at end of year	226	441

23 Share capital and share premium

The Company has the following share capital at 31 March 2022.

			Allotted, called up and fully paid		
	Authorised	Authorised	Share premium	Share capital	
	£	Number	£	£	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	34,650	350	35,000
'C2' Ordinary shares of £0.30 each	15,750	52,500	-	15,750	52,500
'C3' Ordinary shares of £0.035 each	1,575	45,000	43,425	1,575	45,000
'C4' Ordinary shares of £0.30 each	6,000	20,000	14,000	6,000	20,000
	27,366	552,500	488,384	27,366	552,500

The 'A', 'B', 'C1', 'C2', 'C3' and 'C4' 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, followed by holders of the 'C2' ordinary shares rank more highly for distribution of any sale proceeds than holders of the other classes of Ordinary shares.

On 30 December 2021 5,000 'C1' Ordinary shares were issued at a price of £1 to a director of the Company. In addition, 52,500 'C2' Ordinary shares were issued at a price of £0.30 to controlling parties and 20,000 'C2' shares were reclassified as 'C4' shares.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2022 £'000	2021 £'000
Less than one year	271	285
Between one and five years	1,141	883
More than five years	888	986
	2,300	2,154

The amount charged to the profit and loss account for the year in respect of operating lease charges was £210,095 *(2021: £291,456)*

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 2022 service were purchased from Soar Limited, who share a director with the Group, for consultancy services.

Balances due

	Note	2022 £'000	2021 £'000
Amounts owed to related parties		-	-
Amounts due from related parties	27	256	101

Included in loss for the year

	2022 £'000	2021 £'000
Purchase of goods and services from related parties	45	54

On 30 December 2021 the Group made repayments on the Shareholder Loan Notes (see note 20).

Subsequent to the year end the Group made further repayments on the Shareholder Loan Notes and PIK notes on 18 May 2022 (see note 20).

On 30 December 2021 the Company issued additional shares to related parties (see note 23).

27 Director's Loan Account

Ajay B. Chadha

	2022
	£'000
Balance at 1 April 2021	101
Advances issued	150
Interest accrued	5
Balance at 31 March 2022	**256**

On 23 November 2020 the Company provided a loan facility of £100,000 to Ajay B. Chadha, a director, with funds drawn down on the date of the agreement. The loan term is for 5 years with the balance being due for repayment no later than 23 November 2025. Interest accrues from day to day, with the applicable rate for the year being 2.25% per annum up to 5 April 2021 and 2.00% per annum from 6 April 2021 to 31 March 2022. As at the Balance Sheet date no repayments had been made and the outstanding balance was £102,798.

On 4 May 2021 the Company provided a further loan facility of £150,000 to Ajay B. Chadha, a director, with funds drawn down on the date of the agreement. The loan term is for 5 years with the balance being due for repayment no later than 4 May 2026. Interest accrues from day to day, with the applicable rate for the year being 2.00% per annum. As at the Balance Sheet date no repayments had been made and the outstanding balance was £152,729.