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Parent Company Accounts for Business By Technology Group Ltd Co No 03030275

Company Registration No. 11363223 (England and Wales)

HARROW DEBTCO LTD

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

HARROW DEBTCO LTD

COMPANY INFORMATION

Directors	L H L Batchelor A J Moffitt M Oxley
Company number	11363223
Registered office	1-2 Castle Lane London SW1E 6DR
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

HARROW DEBTCO LTD

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HARROW DEBTCO LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their strategic report for the year ended 31 March 2023.

FY23 represented a positive year for the group, a year which signalled the end of the COVID pandemic, leading to a modest improvement in consumer confidence, and resulting in employees returning to their offices and driving higher print volumes. Inward investment and restructuring continued with a strong emphasis on customer service, process and systems.

The new year heralded the re-branding of the Company operations to Aurora Managed Services, formerly Corona Corporate Solutions. We have been delighted by the response within the market, recognising the momentum shift towards customer and service excellence, a message that has been equally well received across our customer and supplier base.

Underpinning our commitment to excellence, the group achieved ISO9001, 14001 and 45001 in year, and commenced its program towards ISO27001. Supplementing this, we invested in a new ERP, launched a suite of new employee tools and benefits, and expanded our office footprint. Demonstrating our social commitments the company also established a charity committee, raising significant funds for its chosen charities.

Post year end, in June 2023, the group finalised the refinancing of its debt through a debt for equity conversion between existing lenders Pemberton and HIG which returned the business to more manageable leverage levels. The group benefits from serviceable debt facilities with Pemberton reducing from £114.3m to £50.0m with the lenders also extending additional ACF facilities to the group to support future M&A growth plans. The agreement demonstrates ardent lender support for incredibly exciting group growth plans.

Since the completion of the refinancing, in November 2023, the group completed the acquisition of Blue Sky Digital Limited. Founded by the Brewer brothers, Blue Sky Digital has built an enviable reputation within the Wales and South West England region, forging excellent customer relationships and driving significant organic growth. Further M&A opportunities are currently being considered, in line with our strategic goals.

Review of Business

The main activity of the group is the supply of managed print services including the provision of multi-functional devices, related software, services and solutions, office supplies and telephony systems and services.

The results for the year and financial position of the company are shown in these financial statements. Gross margins are shown in the key performance indicator table below.

The group's net liabilities for the year was £68,496,652 (2022 £50,139,318) and generated EBITDA before exceptional costs, furlough and loss/profit on disposal of tangible fixed assets of £8,169,117 (2022 £9,140,548).

Whilst FY23 marked the end of the COVID pandemic, the enduring effect on supply chains continued through most of the year, recovery and normality only returning towards the period end. The lack of stock and high demand resulted in inflationary pressure with product, parts and consumables all seeing significant price increases and impacting retained profitability.

The company's burgeoning reputation and transformation, underpinned by excellent service and strong account management, encouragingly resulted in record organic growth in year and a fall in customer attrition. The organic highlight was undoubtedly the award of the company's largest ever contract for our Enterprise division, installed and serviced to an excellent standard, and subsequently recognised by the Print IT Awards as the industry Project of the Year.

The directors continue to maintain effective and strong relationships with key suppliers whilst internally, continue to place particular focus on cash generation and liquidity enabling measures. With steadfast investor and lender support, resulting in the consensual debt for equity conversion in June 2023, the directors are confident that the group and company have adequate resources to continue operating normally for the foreseeable future and meet all going concern requirements.

HARROW DEBTCO LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties

The principal risks and uncertainties facing the group surround the magnitude and pace of post pandemic recovery, combined with the macro-economic stability of the market. The group's board minimises risk through continuous monitoring and maintaining strong relationships with key customers and suppliers.

Key Performance Indicators

For comparative purposes, the table below illustrates the performance of Harrow Debtco in the year ended 31 March 2023 versus financial year 2022. The marginal fall in EBITDA can materially be attributed to investment initiatives made through the year.

Whilst the directors review and measure all aspects of the business, including service NPS, call response times, MIF per engineer and first-time fix rates, the directors consider EBITDA and EBITDA % of revenue as the key indicator of success of the business.

The board has confidence in the company's strategy and therein, in its ability to drive organic growth underpinned by improving trading metrics and supplemented by complimentary acquisitive growth.

	2023	2022	Change
	£'000	£'000	£'000
Turnover	52,715	47,367	5,348
Gross Profit	30,844	28,254	2,590
Gross Profit Margin	59%	60%	1%
EBITDA before exceptional costs	10,061	10,535	(474)
EBITDA as a % of turnover	19%	22%	(4%)

Basis of preparation of financial statements

Details of matters relevant to the directors' assessment of the application of the going concern basis are given in note 1.3 to the financial statements.

Future developments

To achieve its strategic goals, the group continues both to assess suitable acquisition opportunities and improve operational efficiencies.

Section 172 statement

Section 172 of the Companies Act 2006 requires the directors of a company to act in a way they consider, in good faith, would be most likely to promote the success of the company and its group for the benefit of its shareholders as a whole and, in doing so, have regard (among other matters) to:

a) the likely consequences of any decisions in the long term;

b) the interests of the group's employees;

c) the need to foster the group's business relationships with suppliers, customers and others;

d) the impact of the group's operations on the community and environment;

e) the desirability of the group maintaining a reputation for high standards of business conduct;

f) the need to act fairly as between shareholders of the company

Further details of how the directors have fulfilled their duties are set out below.

HARROW DEBTCO LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Risk management
The directors have deployed several initiatives across the group to effectively manage risks posed to the business.

These include a customer care focus on ensuring customer satisfaction, and consequently assisting with improved retention and reduced machine and customer attrition. The group also use Ask Nicely customer surveys, ensuring open dialogue with the customer at regular intervals, allowing a continual feedback loop to improve all areas of the business. In measuring responses through NPS, the group take great pride in seeing industry leading results. The group has diversification in its product offering through complementary Print solutions and services, alongside our ICT and Office Supplies capabilities. The directors recognise the importance of a localised service offering to their customers and, therefore, adopt a Customer focussed methodology when integrating newly acquired businesses.

Business relationships
The group returns value to businesses through providing innovative products and exceptional levels of service to meet our customers' requirements. The group understands the value of maintaining and developing relationships with its customers and suppliers, as it is these relationships that underpin its current and future growth. With this doctrine, the group's relationships go from strength to strength as demonstrated by the group's involvement with the same suppliers and customers for many years.

Community and environment
The group has completed its annual ESG impact report and continues on its sustainability journey towards net zero. The directors are passionate in its endeavour to play its part in making the world a better place for us all. Environmentally, the group continues to assess and improve its practices, supply chain, services, and carbon emissions. The group is partnered with innovative companies who are minimising their impact to the environment whilst also increasing its range of recycled products and recycling across the life cycle of its machines. The group will strive to better its ESG credentials and for continual improvement.

Employees
The company and group are committed to being responsible employers and make every effort to create a working environment where their employees are actively engaged and part of their success. The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests. The company has embarked on a series of additional initiatives to continually improve and understand employee likes and dislikes, including annual employee engagement surveys and wellbeing surveys and clinics. Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Shareholders
The company's ultimate shareholder has representation on the board to ensure the company's strategy and objectives are in line with its needs and expectations, and those needs and expectations are regularly communicated to the board.

On behalf of the board

Martin Oxley
....
M Oxley
Director

Date: 12/2/2024

HARROW DEBTCO LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities
The principal activity of the company is that of an investment holding company. The principal activity of the group is that of the supply and maintenance of multi-functional devices and telephony systems, and software thereon and the wholesale of office equipment.

Results and dividends
The results for the year are set out on page 14.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

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

L H L Batchelor
A J Moffitt
M Oxley

Going concern
The company is a member of the Harrow Debtco Limited group ("the group"). The company is reliant upon the wider group's financing facilities. The group meets its day-to-day working capital requirements through its own cash balances and committed banking / funding facilities. In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the directors have reviewed a number of factors, including information provided to them in relation to the group's trading results, its available resources, the ability of the group to continue to operate within its financial covenants and the group's latest forecasts and projections, comprising:

- A forecast for the period to 31 March 2026 which has been prepared on a bottom-up basis with realistic assumptions regarding new contract wins, print volumes and likely margin evolution;
- A base case forecast, which is the basis upon which the directors are making this going concern statement for the period to 31 March 2025, reflecting more prudent variations in performance including:
  - a decline in sales volumes through our Enterprise and commercial sectors as a consequence of hardening economic conditions and the consequent impact on buying patterns;
  - a decline in service value brought about by lower sales throughput.

In June 2023 Harrow Midco Limited, an indirect parent company at that time, refinanced its debt structure through a debt for equity conversion between its existing lenders Pemberton and HIG. Harrow Debtco Limited, has been purchased by a new company formed for the purpose of refinancing, Aurora UK Topco Ltd. The revised group benefit from serviceable debt facilities with Pemberton reducing from £114.3m to £50.0m with the lenders also extending additional facilities to the company to support future acquisition growth plans. Subsequent to the refinancing, all covenants have been waived and the group's loan agreements are now only subject to liquidity clauses, until August 2024, whereby the group is required to meet specific liquidity thresholds. The directors have also received a letter of financial support from Pemberton covering the going concern assessment period.

The agreement and subsequent actions demonstrate ardent lender and investor support for incredibly exciting company growth plans. The directors have satisfied themselves that the company and its group will continue operating, with continued support from lenders and investors. For these reasons, the company and its group continues to adopt the going concern basis in preparing its financial statements.

Financial instruments
Capital management policies
In managing its capital, the group's primary objective is to maintain a sufficient funding base to enable the group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues or debt, the group considers not only its short-term position but also its long-term operational and strategic objectives.

HARROW DEBTCO LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Liquidity risk
Liquidity risk arises from the group management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Refer to Note 1.3 of the financial statements for details of going concern considerations.

The group policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days.

Interest rate risk
The group borrows at variable rates of interest. It is therefore exposed to increases in interest rates. The group reviews market forecasts of future interest rates on a regularly basis and would consider the use of hedging instruments to mitigate such risk where appropriate. No hedging arrangements were in force at the balance sheet date.

Foreign currency risk
The group trades exclusively in the UK and all financing is denominated in sterling. The group therefore is not exposed to currency risk.

Credit risk
Credit risk is the risk of financial loss to the group if a customer or a counter party to a financial instrument fails to meet its contractual obligations. The group is principally exposed to credit risk on cash and cash equivalents with banks and financial institutions, and trade receivables. For banks and financial institutions, only independently rated parties with an acceptable rating are utilised.

Credit risk in connection with trade receivables is managed by the use of credit control procedures, such as the maintenance of a credit control department, use of credit references and stop limits.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor
In accordance with the company's articles, a resolution proposing that be reappointed as auditor of the group will be put at a General Meeting.

HARROW DEBTCO LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Energy and carbon report

In line with the commitment to transparent reporting on ESG progress, Aurora is delighted to present their ESG Impact report. Since 2021, when we first conducted our ESG assessment, our dedicated team has continued to enhance our environmental, people and governance practices to bring about sustainable, real and impactful change.

Data has been assessed and the results provided by Sustainable Advantage. SECR replaced the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) in April 2019. This new framework aims to simplify carbon and energy reporting requirements while still ensuring that companies have the information required to understand and reduce their emissions and energy costs. The Group is passionate and concerned about energy consumption and carbon emissions and wishes to utilise the mandatory SECR legislation as a foundation for identifying ways of saving energy and reducing carbon emissions.

While one can see that we have done a great job in reducing our emissions year on year we are resolute in our endeavour to achieving net zero.

The group owned or leased 4 sites during the reporting period that are included in SECR, where electricity and gas are the primary and only utilities used. The group also owned and leased cars and vans during the reporting period, as well as having staff mileage claims. All activities are based within the UK.

- Scope 1 emissions consists of natural gas usage from buildings and company car mileage.
- Scope 2 emissions consists of electricity usage from buildings.
- Scope 3 emissions are from grey fleet mileage.

Below shows the breakdown of consumption and carbon emissions, in kWh and tonnes of carbon dioxide equivalent (tCO2e) respectively, by scope and specific area.

	Base Year (FY22) tCO2e	**FY23 tCO2e**	**tCO2e Change**
Scope 1			
Natural Gas	27.8	42.9	15.1
Diesel (L)	214.7	100.2	-114.5
Petroleum (L)	4.8	170.5	165.7
Scope 2			
Electricity	37.8	39.8	(2.0)
Renewables Electricity	(26.5)	(39.8)	13.3
Scope 3			
Grey Fleet Mileage	36.4	274.3	237.9
Gross Emissions	295.1	587.9	292.8
Less offsets	-300.0	-588.0	-288.0
Net Emissions	**-4.9**	**-0.1**	**4.8**

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of disclosure concerning employment etc of disabled persons and engagement with employees, suppliers, customers and others and future developments of the business.

Statement of disclosure to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Martin Oxley

M Oxley

Director

Date: 12/2/2024

HARROW DEBTCO LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The directors are responsible for preparing the Strategic Report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 company, and of the profit or loss of the company and group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

HARROW DEBTCO LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HARROW DEBTCO LTD

Opinion

We have audited the financial statements of Harrow Debtco Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters – prior year financial statements were not consolidated and the prior year comparatives are unaudited

The parent company did not prepare group accounts for the year ended 31 March 2022. Whilst for the year ended 31 March 2022 the parent company normally could be exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements, for the year ended 31 March 2022 it did not deliver to the registrar, within the time period allowed for filing its accounts, copies of the Group financial statements the parent company was included in, which contains the consolidated annual report and financial statements together with the auditor's report on them. These were delivered to the registrar on 15 May 2023. The 31 March 2022 financial statements were qualified in this regard.

The 31 March 2023 financial statements are appropriately consolidated, but the comparatives are unaudited as no audit opinion has been provided on the consolidated financial statements for the year ended 31 March 2022.

HARROW DEBTCO LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HARROW DEBTCO LTD

Conclusions relating to going concern
We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the global cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and consolidated financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors 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 for the audit of the financial statements
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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

HARROW DEBTCO LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HARROW DEBTCO LTD

Irregularities,including fraud, are instances of non-compliance with laws and regulations.The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and company and determined the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Companies Act 2006, the relevant tax legislation in the jurisdictions in which the group operates and relevant regulation applicable to the financial conduct authority authorisation status held by certain entities in the group;
- We obtained an understanding of how the group and the parent company are complying with those legal and regulatory frameworks by making enquiries of management and those charged with governance, including the group's Financial Conduct Authority officer. We corroborated our enquiries though our review of board minutes and other relevant correspondence received from legal advisors and regulatory bodies;
- We also enquired of management and those charged with governance concerning the group and Company's policies and procedures relating to the identification, evaluation, detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud. We enquired as to whether they had any knowledge of actual, suspected or alleged fraud;
- We assessed the susceptibility of the group's and parent company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined the principal risks were in relation to the estimation and judgemental areas of revenue recognition which we determined to be the existence an valuation of accrued income and the occurrence of revenue that was unbilled at year end; the valuation of goodwill and investments in subsidiaries and through management override of controls;
    - Audit procedures performed by the audit team included:
        - identifying and assessing the design and implementation of controls management utilises to prevent and detect fraud;
        - challenging key assumptions used and judgements made by management in relation to significant accounting estimates, including through the judgemental areas of revenue recognition which we determined to be the existence and valuation of accrued income and occurrence of revenue that was unbilled at year end; and other estimates including the valuation of goodwill and investments in subsidiaries;
        - using data interrogation software to identify and test large or unusual journal entries which may carry a higher risk of fraud;
        - Assessing the extent of compliance with the relevant laws and regulations as part of our audit procedures on the related financial statement item; and
        - performing audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
    - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

HARROW DEBTCO LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF HARROW DEBTCO LTD

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the group and parent company operate;
  - understanding of the relevant legal and regulatory frameworks including United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Companies Act 2006, the relevant tax legislation in the jurisdictions in which the group and parent company operates and relevant regulation applicable to the financial conduct authority authorisation status held by certain entities in the Group, and the application of the legal and regulatory requirements of these to Harrow Debtco Limited.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in:
  - judgemental areas of revenue recognition which we determined to be the existence and valuation of accrued income, and the occurrence of revenue that was unbilled at the year end;
  - the valuation of goodwill and investments in subsidiaries; and
  - management override of controls in the preparation of the financial statements.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the group and parent company operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statements disclosures and business risks that may result in risks of material misstatement;
  - the rules and interpretative guidance issued by the Financial Conduct Authority;and
  - the group's and parent company's control environment, including the policies and procedures implemented to comply with the requirements of the regulator, internal review procedures over the entity's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

Grant Thornton UK LLP

Marc Summers BSc(Hons) FCA (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor

Date: 12/2/2024

30 Finsbury Square
London
EC2A 1AG

HARROW DEBTCO LTD

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	52,715,014	47,367,339
Cost of sales		(21,870,821)	(19,112,915)
Gross profit		30,844,193	28,254,424
Distribution costs		-	(515,291)
Administrative expenses		(35,942,443)	(31,451,701)
Exceptional items	4	(1,554,246)	(2,441,367)
Operating loss	6	(6,652,496)	(6,153,935)
Interest payable and similar expenses	9	(11,881,973)	(10,869,624)
Loss before taxation		(18,534,469)	(17,023,559)
Tax on loss	10	239,067	92,505
Loss for the financial year	25	(18,295,402)	(16,931,054)

Loss for the financial year is all attributable to the owner of the parent company.

HARROW DEBTCO LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	2023 £	2022 £
Loss for the year	(18,295,402)	(16,931,054)
Other comprehensive income	-	-
Total comprehensive income for the year	(18,295,402)	(16,931,054)

Total comprehensive income for the year is all attributable to the owners of the parent company.

HARROW DEBTCO LTD

GROUP BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Goodwill	**11**		71,761,267		83,851,604
Other intangible assets	**11**		2,721,029		3,530,191
Total intangible assets			74,482,296		87,381,795
Tangible assets	**12**		498,584		497,272
			74,980,880		87,879,067
Current assets					
Stocks	**15**	2,119,910		1,693,774	
Debtors	**16**	9,303,445		6,835,907	
Cash at bank and in hand		3,277,169		3,677,064	
		14,700,524		12,206,745	
Creditors: amounts falling due within one year	**17**	(38,811,062)		(33,179,605)	
Net current liabilities			(24,110,538)		(20,972,860)
Total assets less current liabilities			50,870,342		66,906,207
Creditors: amounts falling due after more than one year	**18**		(118,981,700)		(116,493,209)
Provisions for liabilities					
Deferred tax liability	**20**	385,294		552,316	
			(385,294)		(552,316)
Net liabilities			(68,496,652)		(50,139,318)
Capital and reserves					
Called up share capital	**23**		1		1
Profit and loss reserves	**25**		(68,496,653)		(50,139,319)
Total equity			(68,496,652)		(50,139,318)

The financial statements were approved by the board of directors and authorised for issue on 12/2/2024 and are signed on its behalf by:

Martin Oxley

M Oxley
Director

Company registration number 11363223 (England and Wales)

HARROW DEBTCO LTD

COMPANY BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Investments	**13**		1		1
Current assets					
Debtors	**16**	21,271,154		20,497,124	
Creditors: amounts falling due within one year	**17**	(21,802,775)		(21,797,580)	
Net current liabilities			(531,621)		(1,300,456)
Net liabilities			(531,620)		(1,300,455)
Capital and reserves					
Called up share capital	**23**		1		1
Profit and loss reserves	**25**		(531,621)		(1,300,456)
Total equity			(531,620)		(1,300,455)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £768,836 (2022 - £1,274,900 loss).

The financial statements were approved by the board of directors and authorised for issue on 12/2/2024 and are signed on its behalf by:

Martin Oxley

M Oxley
Director

Company registration number 11363223 (England and Wales)

HARROW DEBTCO LTD

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2021		1	(33,351,837)	(33,351,836)
Year ended 31 March 2022:				
Loss and total comprehensive income for the year		-	(16,931,054)	(16,931,054)
Credit to equity for equity settled share-based payments	22	-	143,572	143,572
Balance at 31 March 2022		1	(50,139,319)	(50,139,318)
Period ended 31 March 2023:				
Loss and total comprehensive income for the period		-	(18,295,402)	(18,295,402)
Credit to equity for equity settled share-based payments	22	-	(61,932)	(61,932)
Balance at 31 March 2023		1	(68,496,653)	(68,496,652)

HARROW DEBTCO LTD

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2021	1	(25,556)	(25,555)
Year ended 31 March 2022:			
Loss and total comprehensive income for the year	-	(1,274,900)	(1,274,900)
Balance at 31 March 2022	1	(1,300,456)	(1,300,455)
Period ended 31 March 2023:			
Profit and total comprehensive income for the period	-	768,835	768,835
Balance at 31 March 2023	1	(531,621)	(531,620)

HARROW DEBTCO LTD

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Cash flows from operating activities					
Cash generated from operations	**31**		851,084		11,363,680
Interest paid			(3,419,294)		(10,869,624)
Income taxes paid			(12,928)		(738,579)
Net cash outflow from operating activities			(2,581,138)		(244,523)
Investing activities					
Purchase of business		-		(4,370,624)	
Purchase of intangible assets		(7,000)		(308,062)	
Purchase of tangible fixed assets		(327,527)		(160,034)	
Proceeds on disposal of tangible fixed assets		27,279		300	
Net cash used in investing activities			(307,248)		(4,838,420)
Financing activities					
Receipt of bank loans		2,488,491		-	
Net cash generated from/(used in) financing activities			2,488,491		-
Net decrease in cash and cash equivalents			(399,895)		(5,082,943)
Cash and cash equivalents at beginning of year			3,677,064		8,760,007
Cash and cash equivalents at end of year			3,277,169		3,677,064

1 Accounting policies

Company information
Harrow Debtco Ltd ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 1-2 Castle Lane, London SW1E 6DR.

The group consists of Harrow Debtco Ltd and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1 Accounting policies **(Continued)**

The consolidated group financial statements consist of the financial statements of the parent company Harrow Debtco Ltd together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 March 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiary undertakings acquired during the year have been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of subsidiary undertakings acquired during the year for the period from their acquisition. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

1.3 Going concern

The company is a member of the Harrow Debtco Limited group ("the group"). The company is reliant upon the wider group's financing facilities. The group meets its day-to-day working capital requirements through its own cash balances and committed banking / funding facilities. In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the directors have reviewed a number of factors, including information provided to them in relation to the group's trading results, its available resources, the ability of the group to continue to operate within its financial covenants and the group's latest forecasts and projections, comprising:

- A forecast for the period to 31 March 2026 which has been prepared on a bottom-up basis with realistic assumptions regarding new contract wins, print volumes and likely margin evolution;
- A base case forecast, which is the basis upon which the directors are making this going concern statement for the period to 31 March 2025, reflecting more prudent variations in performance including:
    - a decline in sales volumes through our Enterprise and commercial sectors as a consequence of hardening economic conditions and the consequent impact on buying patterns;
    - a decline in service value brought about by lower sales throughput.

In June 2023 Harrow Midco Limited, an indirect parent company at that time, refinanced its debt structure through a debt for equity conversion between its existing lenders Pemberton and HIG. Harrow Debtco Limited, has been purchased by a new company formed for the purpose of refinancing, Aurora UK Topco Ltd. The revised group benefit from serviceable debt facilities with Pemberton reducing from £114.3m to £50.0m with the lenders also extending additional facilities to the company to support future acquisition growth plans. Subsequent to the refinancing, all covenants have been waived and the group's loan agreements are now only subject to liquidity clauses, until August 2024, whereby the group is required to meet specific liquidity thresholds. The directors have also received a letter of financial support from Pemberton covering the going concern assessment period.

The agreement and subsequent actions demonstrate ardent lender and investor support for incredibly exciting company growth plans. The directors have satisfied themselves that the company and its group will continue operating, with continued support from lenders and investors. For these reasons, the company and its group continues to adopt the going concern basis in preparing its financial statements.

HARROW DEBTCO LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies **(Continued)**

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20% on cost once brought into use
Customer contracts	5 years straight line

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	20% on cost
Computers	33% on cost

1 Accounting policies **(Continued)**

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

HARROW DEBTCO LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies **(Continued)**

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

HARROW DEBTCO LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies **(Continued)**

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using a Monte Carlo model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.19 Non-controlling interests

Non-controlling interests in subsidiary undertakings are initially measured at the fair value of equity subscribed or otherwise issued. This value is adjusted to reflect dividends declared by the year end.

1.20 Exceptional items

Items of expenditure that are deemed exceptional because of size or incidence, in the latter case because they derive from transactions outside the group's normal day-to-day operations, are reported separately as exceptional items.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

HARROW DEBTCO LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Judgements and key sources of estimation uncertainty **(Continued)**

Intangible assets at acquisition

In recognising intangible assets, including goodwill, on the acquisition of subsidiary undertakings and unincorporated businesses, the directors must exercise judgement in determining whether any intangible assets acquired require separate recognition because they are both separable and arise from contractual or legal rights. Certain assets acquired do meet these criteria and therefore have been recognised separately. Any potential intangible assets that would otherwise meet the criteria for recognition under FRS102, but are not both separable and arising from contractual or legal rights, have been subsumed in goodwill.

Application of section 26 of FRS 102-share-based payment

The directors have determined that certain features of equity instruments issued by the company bring those instruments within the scope of the share-based payment provisions of FRS 102, and accordingly a share-based payment charge has been recognised as disclosed in note 22. Judgement is also required in the selection of an appropriate model with which to value the instruments awarded.

Exceptional items

The directors determine what costs are exceptional items by reference to their size and/or the manner in which they arise and in the latter case the extent to which they arise from the group's expected operations.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Market rate of interest for vendor loan notes

In estimating the market rate of interest applied to the vendor loan notes the directors have taken into account rates charged by other lenders, the term of the facility and the security provided.

Useful life of goodwill

In determining the estimated useful life of goodwill the directors have considered the nature of the businesses acquired, the longevity of acquired relationships and the probability of impairment. Current base case forecasts for the year ending 31 March 2024 are lower than forecasts prepared for this period at the reporting date. As such the probability of impairment of goodwill as at the next reporting date is increased.

Recoverability of debtors

In estimating debtors' recoverability the directors have considered the nature of objective evidence concerning loss events for individually significant items. Debtors that are not individually significant are grouped on the basis of similar credit risks.

Revenue recognition

In estimating accrued and deferred income the directors have regard to the nature of the services provided and the terms of agreement with customers.

Estimated term of loans and vesting period of share awards

In estimating the amortised cost of certain loans receivable and payable, an estimate must be made of the timing of cashflows expected to be received and paid. Charges recognised for share-based payment arrangements also depend on estimates made of the vesting period for such arrangements.

3 Turnover

	2023	2022
	£	£
Turnover analysed by class of business		
Equipment sales	34,127,583	24,993,350
Telephone network sales	867,419	684,729
Maintenance and service	16,213,031	20,054,566
Telephone network service	1,431,133	1,634,694
Office supplies	75,848	-
	52,715,014	47,367,339

	2023	2022
	£	£
Turnover analysed by geographical market		
UK	52,715,014	47,367,339

4 Exceptional items

	2023	2022
	£	£
ERP Systems	657,216	164,297
Furlough	-	8,697
Legal and professional	-	162,810
Mergers and acquisitions	-	312,251
New Offices	94,999	-
Property-related costs	-	308,127
Refinancing	863,963	-
Redundancy	-	73,236
Share based payment	(61,932)	143,572
Management charges	-	704,077
Other	-	564,300
	1,554,246	2,441,367

Exceptional items are those items that are exceptional by size or incidence, in the latter case because they are outside the group's day-to day operations. Typically they result from group restructuring, systems development, settlement of onerous leases and items of a similar nature.

5 Auditor's remuneration

	2023	2022
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	202,450	207,825

HARROW DEBTCO LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

5 Auditor's remuneration (Continued)

For other services		
Taxation compliance services	132,750	55,000
Other taxation services	90,500	7,000
Services relating to corporate finance transactions	147,000	-
	370,250	62,000

6 Operating loss

	2023 £	2022 £
Operating loss for the period is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	298,936	323,874
(Profit)/loss on disposal of tangible fixed assets	-	11,028
Amortisation of intangible assets	12,906,499	12,661,786
Share-based payments	(61,932)	143,572
Operating lease charges	813,478	724,595

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2023 Number	2022 Number	Company 2023 Number	2022 Number
Sales	97	58	-	-
Service	119	131	-	-
Administrative	33	28	-	-
	13	-	-	-
Total	262	217	-	-

Their aggregate remuneration comprised:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Wages and salaries	14,564,488	11,754,491	-	-
Social security costs	1,178,428	1,235,861	-	-
Pension costs	844,925	686,646	-	-
	16,587,841	13,676,998	-	-

8 Directors' remuneration

	2023	2022
	£	£
Remuneration for qualifying services	1,050,231	763,814
Company pension contributions to defined contribution schemes	57,375	70,200
	1,107,606	834,014

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023	2022
	£	£
Remuneration for qualifying services	475,750	254,154
Company pension contributions to defined contribution schemes	30,375	29,721

9 Interest payable and similar expenses

	2023	2022
	£	£
Interest payable to group undertakings	-	1,850,317
Other interest on financial liabilities	11,881,973	9,019,307
Total finance costs	11,881,973	10,869,624

10 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	-	13,979
Adjustments in respect of prior periods	(72,045)	35,749
Total current tax	(72,045)	49,728
Deferred tax		
Origination and reversal of timing differences	(167,656)	(210,092)
Adjustment in respect of prior periods	634	67,859
Total deferred tax	(167,022)	(142,233)
Total tax credit	(239,067)	(92,505)

10 Taxation **(Continued)**

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
Loss before taxation	(18,534,469)	(17,023,559)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(3,521,549)	(3,234,476)
Tax effect of expenses that are not deductible in determining taxable profit	1,011,934	1,306,591
Tax effect of income not taxable in determining taxable profit	(11,767)	(5,527)
Adjustments in respect of prior years	(72,045)	35,749
Effect of change in corporation tax rate	(73,474)	(86,993)
Group relief	-	(535,777)
Amortisation on assets not qualifying for tax allowances	-	2,266,631
Other permanent differences	2,416,321	31,086
Deferred tax adjustments in respect of prior years	634	42,418
Deferred tax not recognised	138,487	73,814
Adjustment to brought forward values	(127,608)	13,979
Taxation credit	(239,067)	(92,505)

11 Intangible fixed assets

Group	Goodwill £	Software £	Customer contracts £	Total £
Cost				
At 1 April 2022	120,903,373	787,310	3,358,629	125,049,312
Additions - internally developed	-	7,000	-	7,000
At 31 March 2023	120,903,373	794,310	3,358,629	125,056,312
Amortisation and impairment				
At 1 April 2022	37,051,769	-	615,748	37,667,517
Amortisation charged for the year	12,090,337	144,436	671,726	12,906,499
At 31 March 2023	49,142,106	144,436	1,287,474	50,574,016
Carrying amount				
At 31 March 2023	71,761,267	649,874	2,071,155	74,482,296
At 31 March 2022	83,851,604	787,310	2,742,881	87,381,795

The company had no intangible fixed assets at 31 March 2023 or 31 March 2022.

12 Tangible fixed assets

Group	Total
	£
Cost	
At 1 April 2022	1,201,408
Additions	327,527
At 31 March 2023	1,528,935
Depreciation and impairment	
At 1 April 2022	704,136
Depreciation charged in the year	298,936
Other	27,279
At 31 March 2023	1,030,351
Carrying amount	
At 31 March 2023	498,584
At 31 March 2022	497,272

The company had no tangible fixed assets at 31 March 2023 or 31 March 2022.

13 Fixed asset investments

		Group		Company	
		2023	2022	2023	2022
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	1	1

Movements in fixed asset investments

Company	Shares in subsidiaries
	£
Cost or valuation	
At 1 April 2022 and 31 March 2023	1
Carrying amount	
At 31 March 2023	1
At 31 March 2022	1

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct	% Held Indirect
Harrow Bidco Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Aurora Managed Services Group Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Aurora Managed Services Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Corporate Information & Communication Technology Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Managed Print Services London Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Falcon Document Solutions Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Copylogic Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
J T Property Holdings Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Classic Business Equipment Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
The London Photocopying Company Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Digital Copier Systems Eastern Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Regent Document Solutions Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Business By Technology Group Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Business By Technology (Holdings) Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Eastern Business Systems Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Technocopy Solutions Holdings Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Technocopy Solutions Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
CCS Managed Print Services Limited	1-2 Castle Lane London SW1E 6DR	Ordinary	-	100.00

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act:

Registered no	Company
3580061	Classic Business Equipment Limited
4160580	Digital Copier Systems Eastern Limited
10967614	J T Property Holdings Limited
2052396	Regent Document Solutions Limited
2606913	The London Photocopying Company Limited
3030275	Business By Technology Group Limited
8985669	Business By Technology (Holdings) Limited
2912024	Eastern Business Systems Limited
2777518	Technocopy Solutions Holdings Limited
6768232	Technocopy Solutions Limited
9304246	Managed Print Services London Limited
2818404	Falcon Document Solutions Limited
2370414	Copylogic Limited
13241044	CCS Managed Print Services Limited

15 Stocks

	Group 2023 £	2022 £	Company 2023 £	2022 £
Finished goods and goods for resale	2,119,910	1,693,774	-	-

16 Debtors

Amounts falling due within one year:	Group 2023 £	2022 £	Company 2023 £	2022 £
Trade debtors	5,273,769	3,848,435	-	-
Corporation tax recoverable	1,003,446	930,851	-	-
Amounts owed by group undertakings	-	-	20,374,419	20,473,563
Other debtors	111,385	45,410	-	14,550
Prepayments and accrued income	2,914,845	2,011,211	896,735	9,011
	9,303,445	6,835,907	21,271,154	20,497,124

17 Creditors: amounts falling due within one year

	Group 2023 £	2022 £	Company 2023 £	2022 £
Trade creditors	5,712,254	4,195,899	-	330
Amounts owed to group undertakings	21,744,500	21,744,500	21,802,775	21,797,250
Corporation tax payable	99,652	112,030	-	-
Other taxation and social security	711,898	1,440,429	-	-
Deferred income	1,016,602	1,510,223	-	-
Other creditors	528,100	948,882	-	-
Accruals	8,998,056	3,227,642	-	-
	38,811,062	33,179,605	21,802,775	21,797,580

18 Creditors: amounts falling due after more than one year

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Bank loans and overdrafts	19	118,981,700	116,493,209	-	-

19 Loans and overdrafts

	Group 2023 £	2022 £	Company 2023 £	2022 £
Bank loans	118,981,700	116,493,209	-	-
Payable after one year	118,981,700	116,493,209	-	-

Bank loans are secured by charges over the group's assets.

Bank loans carry interest rates of 3.25% and 7.25% over LIBOR until December 2021 and Sonia thereafter dependent upon the facility. Loans of £5 million are repayable by bullet repayment by August 2024. Loans totalling £112 million are repayable by bullet repayment by October 2026.

Deferred consideration is payable by 2029. Interest is accrued on the loans at a rate of 13.8% per annum.

The group's debt at 31 March 2023 was refinanced after the year end. The facilities available at 31 March 2023 were replaced by up to £140 million of facilities,of which £5m of revolving facility is repayable by August 2024 and the remaining term loan facilities are repayable by August 2028.

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2023 £	Liabilities 2022 £
Revaluations	385,294	552,316

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2023 £	Company 2023 £
Liability at 1 April 2022	552,316	-
Credit to profit or loss	(167,022)	-
Liability at 31 March 2023	385,294	-

The deferred tax liability above relates principally to fair value adjustments on the acquisition of a business and is expected to reverse over 3-4 years.

HARROW DEBTCO LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

21 Retirement benefit schemes

Defined contribution schemes	2023 £	2022 £
Charge to profit or loss in respect of defined contribution schemes	844,925	686,646

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share-based payment transactions

Equity instruments other than share options

In 2019, the company's parent undertaking, Harrow Topco Limited, issued 3,637 A ordinary shares,195,015 B ordinary shares, 50,000 C ordinary shares and 1 D ordinary share to employees. The terms of issue of these shares brings them within the scope of section 26 of FRS102. The weighted average fair value of those instruments at the measurement date, being the date of issue, was as follows:

A and B shares	£12.60
C Shares	£12.54
D Shares	£639,689

Fair value was estimated using a Monte Carlo simulation model. This model was deemed appropriate due to the manner in which shareholders' respective entitlement to rights are determined by its articles of association.

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Expenses recognised in the year				
Arising from equity settled share based payment transactions	(61,932)	143,572	-	-

An equivalent debit or credit is recognised in reserves.

The credit to profit and loss in 2023 arose from a change in estimate of the benefits that would eventually vest.

23 Share capital

	Group and company	
	2023	2022
Ordinary share capital	£	£
Issued and fully paid		
1 Ordinary of £1 each	1	1

24 Own shares reserve

Group and company	2023 £	2022 £
At the beginning and end of the year	-	-

25 Profit and loss reserves

	Group 2023 £	2022 £	Company 2023 £	2022 £
At the beginning of the year	(50,139,319)	(33,351,837)	(1,300,456)	(25,556)
Profit/(loss) for the year	(18,295,402)	(16,931,054)	768,835	(1,274,900)
Share based payment transactions	(61,932)	143,572	-	-
At the end of the year	(68,496,653)	(50,139,319)	(531,621)	(1,300,456)

26 Financial commitments, guarantees and contingent liabilities

The Company has secured group borrowings by creating a fixed and floating charge over its assets. At the year end, the amount of borrowings secured is £119.25 million.

27 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2023 £	2022 £	Company 2023 £	2022 £
Within one year	396,884	364,804	-	-
Between two and five years	1,243,789	1,408,860	-	-
	1,640,673	1,773,664	-	-

28 Events after the reporting date

Subsequent to 31 March 2023, the shares of the entity were sold to Aurora UK Topco Limited. There was also a restructuring of the group debt facilities provided by Pemberton, resulting in a reduction of debt facilities from £114.3m to £50m, full covenant resets and the availability of additional debt facilities to support future M& A growth plans.

After the year-end, as part of the refinancing of the group £21.79m of debt owed by the Company to Harrow Midco Limited was transferred to Aurora UK Topco Limited. £20.49m of this debt was capitalised by means of a share for debt swap and £20.49m £1 ordinary shares were issued at par to Aurora UK Topco Limited.

29 Related party transactions

Transactions with related parties
The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2023	2022
	£	£
Group		
Entities with control, joint control or significant influence over the group	21,744,500	21,744,500
Company		
Entities with control, joint control or significant influence over the company	21,744,500	21,744,500
Entities over which the company has control, joint control or significant influence	58,275	52,750

Interest of £274,318 has been charged on loans due from subsidiary entities (2022-£241,097)

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2023	2022
	Balance	Balance
	£	£
Company		
Entities over which the company has control, joint control or significant influence	20,747,881	20,473,563

Interest of £274,318 has been charged on loans due from subsidiary entities (2022-£241,097)

Other information
Included within other creditors at the year end there was a balance of £2,250,000 owed to H.I.G. Europe Capital Partner II,LP, the ultimate parent company of the group at the year end.

30 Controlling party

At 31 March 2023, the company was a subsidiary undertaking of Harrow Topco Limited, registered office 1-2 Castle Lane London SW1E 6DR.

The company's ultimate parent undertaking at that date was H.I.G. Europe Capital Partners II LP, an entity incorporated in the Cayman Islands.

Subsequent to the year end, the company became a subsidiary of Aurora UK Topco Limited, registered office 1-2 Castle Lane, London SW1E 6DR. There is no ultimate controller of Aurora UK Topco Limited.

31 Cash generated from group operations

	2023	2022
	£	£
Loss for the year after tax	(18,295,402)	(16,931,054)
Adjustments for:		
Taxation credited	(239,067)	(92,505)
Finance costs	11,881,973	10,869,624
(Gain)/loss on disposal of tangible fixed assets	-	11,028
Amortisation and impairment of intangible assets	12,906,499	12,661,786
Depreciation and impairment of tangible fixed assets	298,936	323,874
Equity settled share based payment expense/(credit)	(61,932)	143,572
Movements in working capital:		
(Increase) in stocks	(426,136)	(610,633)
(Increase)/decrease in debtors	(2,394,943)	1,252,180
(Decrease)/increase in creditors	(2,818,844)	3,735,808
Cash generated from operations	851,084	11,363,680

32 Analysis of changes in net debt - group

	1 April 2022	Cash flows	31 March 2023
	£	£	£
Cash at bank and in hand	3,677,064	(399,895)	3,277,169
Borrowings excluding overdrafts	(116,493,209)	(2,488,491)	(118,981,700)
	(112,816,145)	(2,888,386)	(115,704,531)