

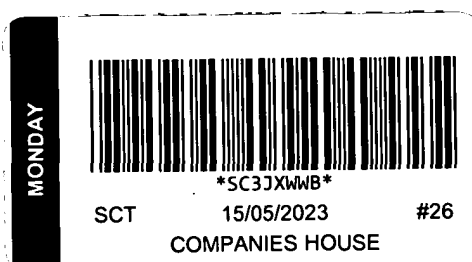
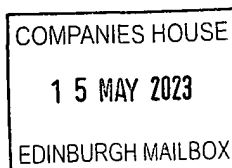
Company Registration No. 11362878 (England and Wales)

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

**HARROW TOPCO LIMITED**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2022**



# HARROW TOPCO LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J Huttunen L H L Batchelor NW Janks A J Moffitt M Oxley	(Appointed 6 May 2021) (Appointed 9 November 2021) (Appointed 22 April 2021) (Appointed 9 November 2021)
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<b>Company number</b>	11362878
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<b>Registered office</b>	1-2 Castle Lane London SW1E 6DR
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<b>Auditor</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
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# **HARROW TOPCO LIMITED**

## **CONTENTS**

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	<b>Page</b>
Strategic report	1 - 3
Directors' report	4 - 7
Directors' responsibilities statement	8
Independent auditor's report	9 - 12
Group profit and loss account	13
Group statement of comprehensive income	14
Group balance sheet	15 - 16
Company balance sheet	17
Group statement of changes in equity	18
Company statement of changes in equity	19
Group statement of cash flows	20
Notes to the financial statements	21 - 43

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# **HARROW TOPCO LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2022**

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The directors present the strategic report for the year ended 31 March 2022.

In FY22, the demand challenges triggered by COVID-19, presented the group an opportunity to focus on structural enhancements to capitalise on the years ahead.

At the forefront of this was a change to the leadership team with Andy Moffitt welcomed as CEO in April 2021 and Martin Oxley joining as CFO in November 2021, each with proven capability of enhancing businesses through Customer First focus, scale and quality of service.

In line with the revised strategy the group completed its first acquisition in the COVID-19 period, in May 2021, acquiring the Print Solutions customer book of Maintel Holdings Plc, extending the group's geographical reach into the North of England and increasing the group's MIF (Machines in Field) and customer base. The group continues to assess suitable acquisition opportunities.

Since year end, in April 2022, the group re-branded its trading operations from Corona Corporate Solutions to Aurora, reflecting the customer centric focus and a new value set, a change that has been superbly received by our customers. Further, in April 2023, the group signed terms to refinance its debt structure through a debt for equity conversion between its existing lenders Pemberton and HIG. The group will benefit 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 includes full covenant resets which allow significant headroom against trading projections. Completion is subject only to FCA and NSIA clearances, with completion anticipated June 2023. The agreement demonstrates ardent lender support for incredibly exciting group growth plans.

#### **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, solutions and services, office supplies and telephony systems.

The results for the year and financial position of the company are shown in these financial statements. Gross profit for the year was £28,254,423 (2021 £25,166,290).

The gross profit margin was 60% (2021:59%).

The group's net liabilities for the year was £42,612,015 (2021 £25,204,250) and generated EBITDA before exceptional costs, furlough and loss/profit on disposal of tangible fixed assets of £10,061,071 (2021 £10,534,989).

Mindful of its responsibility to its customers during the turbulence of COVID-19, the group elected to call back all of its furloughed employees during FY22, so relinquishing Government aid and resulting in a marked increase in its cost base, directly resulting in a short term reduction in EBITDA, yet driving improving NPS results, customer engagement and a focus on strategic matters.

With a desire for renewed focus towards a more Customer First strategy, and to facilitate a scaled growth post COVID-19, the group welcomed Andy Moffitt as CEO in April 2021 and Martin Oxley as CFO in November 2021, succeeding James Stephens and Ken Coveney respectively, to whom we extend our sincere thanks for taking the group to the pinnacle of the industry. Andy brings a wealth of leadership experience, particularly in Service Management as demonstrated in improving customer care, industry leading service delivery scores and for broadening the services on offer to customers.

The group continued to see trade affected by COVID-19 impacts, with home working increasingly an accepted part of business culture and global supply chains still adjusting to the market disruptions. Whilst gross profits showed double digit growth from FY21, like for like trading remains, and is expected to remain, below pre-COVID-19 levels, primarily from a servicing perspective, with equipment sales encouragingly resilient.

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 a consensual debt for equity conversion in April 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 TOPCO LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### Principal risks and uncertainties

The principal risks and uncertainties facing the group continue to be posed by COVID-19. These include an unexpected decrease in turnover and continued disruption in the supply chain. 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 Topco in the year ended 31 March 2022 versus financial year 2021.

The fall in EBITDA primarily reflects the 12-month impact of COVID-19, with furlough benefit realised through FY21 and strategic investments made through FY22.

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.

	2022	2021	Change
	£'000	£'000	£'000
Turnover	47,367	42,749	4,618
Gross Profit	28,254	25,166	3,088
Gross Profit Margin	60%	59%	1%
EBITDA before exceptional costs	10,061	10,535	(474)
EBITDA as a % of turnover	21%	25%	(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 TOPCO LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2022**

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### **Risk management**

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

These include a dedicated customer care team focussed on ensuring customer satisfaction, and consequently assisting with improved retention and reduced machine and customer attrition. The group have also introduced an Ask Nicely customer survey, 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 solutions, services and the launch of our Enterprise offerings, alongside our ICT and Office Supplies capabilities. The directors recognise the importance of a localised service offering to their customers and will, 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 second ESG impact report and has embarked 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

15 May 2023

# HARROW TOPCO LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2022

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The directors present their annual report and financial statements for the year ended 31 March 2022.

#### 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 13.

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:

K Coveney	(Resigned 1 October 2021)
J Huttunen	
J Stephenis	(Resigned 16 April 2021)
A S Taylor	(Resigned 9 November 2021)
L H L Batchelor	(Appointed 6 May 2021)
NW Janks	(Appointed 9 November 2021)
A J Moffitt	(Appointed 22 April 2021)
M Oxley	(Appointed 9 November 2021)

#### Basis of preparation of the financial statements

As disclosed in the strategic report and elsewhere in these financial statements, following the year end the group's debt has been refinanced. As part of that refinancing Harrow Debtco Limited (Debtco), an indirect subsidiary of the company, is to be purchased by a new company formed for the purpose of the refinancing. Following the sale of Debtco, Harrow Topco Limited and its immediate subsidiary undertaking, Harrow Midco Limited, will be liquidated in due course. As a consequence, it is inappropriate for the financial statements to be prepared on a going concern basis. Accordingly, appropriate adjustments have been made to the financial statements to prepare them on a basis other than a going concern basis.

Adjustments made include:

- a) a reassessment of the likely period over which certain loan assets and liabilities are to be realised, resulting in an acceleration of the recognition of loan interest payable and receivable;
- b) provisions for estimated impairment losses on certain intra group loans and receivables.

No provision has been made for the estimated cost of liquidation of the affected entities as the decision to liquidate was taken after the end of the reporting period. No reclassification of non-current assets and liabilities to current assets and liabilities has been made for the same reason.

The group's trading and net assets are conducted and held in the main by Debtco and its subsidiaries. As that sub-group will continue to trade, using the refinanced facilities referred to elsewhere, adjustments to the consolidated profit and loss account and consolidated balance sheet to reflect a basis other than going concern for Harrow Topco Limited are limited to those group assets and liabilities that are owned or due by the company and Harrow Midco Limited.

## **HARROW TOPCO LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 MARCH 2022**

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##### **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.

###### ***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.

##### **Auditor**

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

# HARROW TOPCO LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### Energy and carbon report

In line with the commitment to transparent reporting on ESG progress, Aurora is delighted to present their second ESG Impact report. In 2021, we first conducted a full assessment of our ESG activities, laying out a roadmap to become a more sustainable business. Since then, our dedicated team has been busy overhauling our environmental, people and governance practices to bring about real, 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.

Scope 1 and scope 2 have been included within this report. 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 64 cars and 1 van 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, as well as diesel, petrol, and LPG used in company vehicles.
- Scope 2 emissions consists only of electricity usage from buildings.
- Measured 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 (tCO<sub>2</sub>e) respectively, by scope and specific area.

	Base Year (FY21) tCO <sub>2</sub> e	FY22 tCO <sub>2</sub> e	tCO <sub>2</sub> e Change
<b>Scope 1</b>			
Natural Gas	34.40	27.80	(6.60)
<b>Scope 2</b>			
Electricity	38.70	37.80	(0.90)
Renewables Electricity	(29.40)	(26.50)	(2.90)
<b>Total</b>			
Emissions	73.10	65.60	(7.50)
Net Emissions	43.70	39.10	(4.60)

#### 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.

# **HARROW TOPCO LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### ***FOR THE YEAR ENDED 31 MARCH 2022***

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#### **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

15 May 2023

## **HARROW TOPCO LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

#### ***FOR THE YEAR ENDED 31 MARCH 2022***

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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 TOPCO LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HARROW TOPCO LIMITED

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#### Opinion

We have audited the financial statements of Harrow Topco Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022, 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 2022 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.

#### Emphasis of matter-basis of preparation of the financial statements

We draw attention to note 1.3 to the financial statements, which describes the basis of preparation of the financial statements. As described in that note, following the year end, the group's debt has been refinanced and as part of that refinancing, Harrow Debtco Limited (Debtco), an indirect subsidiary of the parent company, is to be purchased by a new company formed for the purpose of the refinancing. Following the sale of Debtco, Harrow Topco Limited and its immediate subsidiary undertaking, Harrow Midco Limited, will be liquidated in due course. As a consequence, it is inappropriate for the financial statements to be prepared on a going concern basis and accordingly, the directors have prepared the financial statements on a basis other than a going concern basis. Our opinion is not modified in respect of this matter.

#### 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.

## **HARROW TOPCO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HARROW TOPCO LIMITED**

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#### **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 TOPCO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF HARROW TOPCO LIMITED**

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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 through 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 that the principal risks were in relation to the estimation and judgemental areas of revenue recognition which we determined to be amounts that were unbilled at the year end, and revenue relating to usage true-up; the valuation of accrued income; the valuation of goodwill and investments in subsidiaries; and through management override of controls; (the "principal risks");
- 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 the principal risks;
  - using data interrogation software to identify and test large or unusual journal entries which may carry a higher risk of fraud; 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 TOPCO LIMITED

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

#### TO THE MEMBERS OF HARROW TOPCO LIMITED

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- 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 specific to the group and parent company.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud including through the principal risk procedures 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](http://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**

15 May 2023

30 Finsbury Square  
London  
EC2A 1AG

**HARROW TOPCO LIMITED****GROUP PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Turnover	3	47,367,338	42,749,160
Cost of sales		(19,112,915)	(17,582,870)
<b>Gross profit</b>		<b>28,254,423</b>	<b>25,166,290</b>
Distribution costs		(515,291)	(350,306)
Administrative expenses		(30,918,432)	(26,787,296)
Other operating income	3	-	1,422,558
Exceptional items	4	(2,441,367)	(2,705,293)
<b>Operating loss</b>	5	<b>(5,620,667)</b>	<b>(3,254,047)</b>
Interest payable and similar expenses	9	(12,421,524)	(11,179,007)
<b>Loss before taxation</b>		<b>(18,042,191)</b>	<b>(14,433,054)</b>
Tax on loss	10	(135,307)	364,297
<b>Loss for the financial year</b>	27	<b>(18,177,498)</b>	<b>(14,068,757)</b>
Loss for the financial year is attributable to:			
- Owners of the parent company		(18,346,930)	(14,225,639)
- Non-controlling interests		169,432	156,882
		<b>(18,177,498)</b>	<b>(14,068,757)</b>

**HARROW TOPCO LIMITED****GROUP STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Loss for the year	(18,177,498)	(14,068,757)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>(18,177,498)</u>	<u>(14,068,757)</u>
Total comprehensive income for the year is attributable to:		
- Owners of the parent company	(18,346,930)	(14,225,639)
- Non-controlling interests	<u>169,432</u>	<u>156,882</u>
	<u>(18,177,498)</u>	<u>(14,068,757)</u>

**HARROW TOPCO LIMITED****GROUP BALANCE SHEET****AS AT 31 MARCH 2022**

	Notes	2022		2021	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	11	85,533,251		96,048,569	
Other intangible assets	11	3,530,191		479,248	
Total intangible assets		89,063,442		96,527,817	
Tangible assets	12	497,272		672,440	
		89,560,714		97,200,257	
<b>Current assets</b>					
Stocks	15	1,693,774		1,083,141	
Debtors	16	10,535,906		6,081,953	
Cash at bank and in hand		3,677,064		8,760,007	
		15,906,744		15,925,101	
<b>Creditors: amounts falling due within one year</b>	17	(15,446,851)		(13,986,116)	
<b>Net current assets</b>		459,893		1,938,985	
<b>Total assets less current liabilities</b>		90,020,607		99,139,242	
<b>Creditors: amounts falling due after more than one year</b>	18	(132,080,306)		(124,242,418)	
<b>Provisions for liabilities</b>					
Deferred tax liability	20	552,316		101,074	
			(552,316)		(101,074)
<b>Net liabilities</b>		(42,612,015)		(25,204,250)	
<b>Capital and reserves</b>					
Called up share capital	23	14,500		14,500	
Share premium account	24	1,010,500		1,010,500	
Profit and loss reserves	27	(54,333,608)		(36,130,250)	
<b>Equity attributable to owners of the parent company</b>		(53,308,608)		(35,105,250)	
<b>Non-controlling interests</b>		10,696,593		9,901,000	
		(42,612,015)		(25,204,250)	

# **HARROW TOPCO LIMITED**

## **GROUP BALANCE SHEET (CONTINUED)**

**AS AT 31 MARCH 2022**

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The financial statements were approved by the board of directors and authorised for issue on 15 May 2023 and are signed on its behalf by:

*Martin Oxley*

M Oxley  
Director

Company registration number 11362878 (England and Wales)

**HARROW TOPCO LIMITED****COMPANY BALANCE SHEET****AS AT 31 MARCH 2022**

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Investments	13		-		407,036
<b>Current assets</b>					
Debtors	16	3,700,000		7,711,641	
<b>Creditors: amounts falling due within one year</b>	17	(1,724,413)		(915,546)	
<b>Net current assets</b>			1,975,587		6,796,095
<b>Total assets less current liabilities</b>			1,975,587		7,203,131
<b>Creditors: amounts falling due after more than one year</b>	18		(13,070,667)		(8,660,383)
<b>Net liabilities</b>			(11,095,080)		(1,457,252)
<b>Capital and reserves</b>					
Called up share capital	23		14,500		14,500
Share premium account	24		1,010,500		1,010,500
Profit and loss reserves	27		(12,120,080)		(2,482,252)
<b>Total equity</b>			(11,095,080)		(1,457,252)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £9,781,400 (2021 - £436,904 loss).

The financial statements were approved by the board of directors and authorised for issue on 15 May 2023 and are signed on its behalf by:



M Oxley  
Director

Company registration number 11362878 (England and Wales)

**HARROW TOPCO LIMITED****GROUP STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2022.**

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
<b>Balance at 1 April 2020</b>		14,500	1,010,500	(21,552,255)	(20,527,255)	9,901,000	(10,626,255)
<b>Year ended 31 March 2021:</b>							
Loss and total comprehensive income for the year		-	-	(14,225,639)	(14,225,639)	156,882	(14,068,757)
Dividends		-	-	-	-	(156,882)	(156,882)
Credit to equity for equity settled share-based payments	22	-	-	(352,356)	(352,356)	-	(352,356)
<b>Balance at 31 March 2021</b>		14,500	1,010,500	(36,130,250)	(35,105,250)	9,901,000	(25,204,250)
<b>Period ended 31 March 2022:</b>							
Loss and total comprehensive income for the period		-	-	(18,346,930)	(18,346,930)	169,432	(18,177,498)
Dividends		-	-	-	-	(169,432)	(169,432)
Credit to equity for equity settled share-based payments	22	-	-	143,572	143,572	-	143,572
Capital contribution		-	-	-	-	795,593	795,593
<b>Balance at 31 March 2022</b>		14,500	1,010,500	(54,333,608)	(53,308,608)	10,696,593	(42,612,015)

**HARROW TOPCO LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Balance at 1 April 2020</b>		14,500	1,010,500	(1,692,992)	(667,992)
<b>Year ended 31 March 2021:</b>					
Loss and total comprehensive income for the year		-	-	(436,904)	(436,904)
Credit to equity for equity settled share-based payments	22	-	-	(352,356)	(352,356)
<b>Balance at 31 March 2021</b>		14,500	1,010,500	(2,482,252)	(1,457,252)
<b>Period ended 31 March 2022:</b>					
Loss and total comprehensive income for the period		-	-	(9,781,400)	(9,781,400)
Credit to equity for equity settled share-based payments	22	-	-	143,572	143,572
<b>Balance at 31 March 2022</b>		14,500	1,010,500	(12,120,080)	(11,095,080)

**HARROW TOPCO LIMITED****GROUP STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	31	7,237,838		14,779,355	
Interest paid		(9,088,283)		(10,287,815)	
Income taxes paid		(738,578)		(533,060)	
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(2,589,023)</b>		<b>3,958,480</b>	
<b>Investing activities</b>					
Purchase of business		(4,370,624)		-	
Purchase of intangible assets		(308,062)		(157,215)	
Purchase of tangible fixed assets		(160,034)		(122,986)	
Proceeds on disposal of tangible fixed assets		300		24,133	
<b>Net cash used in investing activities</b>		<b>(4,838,420)</b>		<b>(256,068)</b>	
<b>Financing activities</b>					
Capital contribution		795,593		-	
Receipt/(repayment) of borrowings		1,548,907		(500,000)	
<b>Net cash generated from/(used in) financing activities</b>		<b>2,344,500</b>		<b>(500,000)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,082,943)</b>		<b>3,202,412</b>	
Cash and cash equivalents at beginning of year		8,760,007		5,557,595	
<b>Cash and cash equivalents at end of year</b>		<b>3,677,064</b>		<b>8,760,007</b>	

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2022

#### 1 Accounting policies

##### Company information

Harrow Topco Limited ("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 Topco Limited 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.

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 1 Accounting policies

(Continued)

The consolidated group financial statements consist of the financial statements of the parent company Harrow Topco Limited 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 2022. 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 Basis of preparation of the financial statements

As disclosed in the strategic report and elsewhere in these financial statements, following the year end the group's debt has been refinanced. As part of that refinancing Harrow Debtco Limited (Debtco), an indirect subsidiary of the company, is to be purchased by a new company formed for the purpose of the refinancing. Following the sale of Debtco, Harrow Topco Limited and its immediate subsidiary undertaking, Harrow Midco Limited, will be liquidated in due course. As a consequence, it is inappropriate for the financial statements to be prepared on a going concern basis. Accordingly, appropriate adjustments have been made to the financial statements to prepare them on a basis other than a going concern basis.

Adjustments made include:

- a) a reassessment of the likely period over which certain loan assets and liabilities are to be realised; resulting in an acceleration of the recognition of loan interest payable and receivable;
- b) provisions for estimated impairment losses on certain intra group loans and receivables.

No provision has been made for the estimated cost of liquidation of the affected entities as the decision to liquidate was taken after the end of the reporting period. No reclassification of non-current assets and liabilities to current assets and liabilities has been made for the same reason.

The group's trading and net assets are conducted and held in the main by Debtco and its subsidiaries. As that sub-group will continue to trade, using the refinanced facilities referred to elsewhere, adjustments to the consolidated profit and loss account and consolidated balance sheet to reflect a basis other than going concern for Harrow Topco Limited are limited to those group assets and liabilities that are owned or due by the company and Harrow Midco Limited.

#### 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.

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 1 Accounting policies

(Continued)

##### 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	4 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
Motor vehicles	25% on cost

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.

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 1 Accounting policies

(Continued)

##### 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.

##### 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.

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 1 Accounting policies

(Continued)

##### 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.

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 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 TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 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 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

##### 1.20 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.

##### 1.21 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.

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 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.

#### *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.

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****2 Judgements and key sources of estimation uncertainty****(Continued)****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 and other revenue**

	2022 £	2021 £
<b>Turnover analysed by class of business</b>		
Equipment sales	24,993,349	21,428,868
Telephone network sales	684,729	655,351
Maintenance and service	20,054,566	18,823,308
Telephone network service	1,634,694	1,841,633
	<u>47,367,338</u>	<u>42,749,160</u>
	2022 £	2021 £
<b>Turnover analysed by geographical market</b>		
UK	<u>47,367,338</u>	<u>42,749,160</u>
	2022 £	2021 £
<b>Other revenue</b>		
Grants received	<u>-</u>	<u>1,422,558</u>

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022**

<b>4</b>	<b>Exceptional items</b>	<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
	ERP Systems	164,297	154,558
	Furlough	8,697	1,851,841
	Legal and professional	162,810	72,826
	Mergers and acquisitions	312,251	307,465
	Other	564,300	136,284
	Property-related costs	308,127	94,471
	Redundancy	73,236	-
	Share based payment	143,572	-
	Write off of director's loan account	-	87,848
	Management charges	704,077	-
		<u>2,441,367</u>	<u>2,705,293</u>

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.

<b>5</b>	<b>Operating loss</b>	<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
	Operating loss for the period is stated after charging/(crediting):		
	Government grants	-	(1,422,558)
	Depreciation of owned tangible fixed assets	323,874	390,207
	Loss on disposal of tangible fixed assets	11,028	37,310
	Amortisation of intangible assets	12,905,469	12,078,784
	Share-based payments	-	(352,356)
	Operating lease charges	<u>724,595</u>	<u>847,815</u>

<b>6</b>	<b>Auditor's remuneration</b>	<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
	Fees payable to the company's auditor and associates:		
	<b>For audit services</b>		
	Audit of the financial statements of the group and company	<u>207,825</u>	<u>145,000</u>
	<b>For other services</b>		
	Taxation compliance services	55,000	63,000
	Other taxation services	7,000	14,000
	Services relating to corporate finance transactions	-	56,000
		<u>62,000</u>	<u>133,000</u>

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****7 Employees**

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

	<b>Group 2022 Number</b>	<b>2021 Number</b>	<b>Company 2022 Number</b>	<b>2021 Number</b>
Sales	76	58	-	-
Service	119	131	-	-
Administrative	35	28	-	-
<b>Total</b>	<b>230</b>	<b>217</b>	<b>-</b>	<b>-</b>

Their aggregate remuneration comprised:

	<b>Group 2022 £</b>	<b>2021 £</b>	<b>Company 2022 £</b>	<b>2021 £</b>
Wages and salaries	11,754,491	7,942,814	-	-
Social security costs	1,235,861	1,121,894	-	-
Pension costs	686,646	421,116	-	-
	<b>13,676,998</b>	<b>9,485,824</b>	<b>-</b>	<b>-</b>

**8 Directors' remuneration**

	<b>2022 £</b>	<b>2021 £</b>
Remuneration for qualifying services	763,814	813,625
Company pension contributions to defined contribution schemes	70,200	45,500
	<b>834,014</b>	<b>859,125</b>

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

	<b>2022 £</b>	<b>2021 £</b>
Remuneration for qualifying services	254,154	371,670
Company pension contributions to defined contribution schemes	29,721	548

**9 Interest payable and similar expenses**

	<b>2022 £</b>	<b>2021 £</b>
Other interest on financial liabilities	12,421,524	11,179,007

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****10 Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	13,979	12,621
Adjustments in respect of prior periods	35,749	(104,341)
Total current tax	<u>49,728</u>	<u>(91,720)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(210,092)	(253,401)
Adjustment in respect of prior periods	295,671	(19,176)
Total deferred tax	<u>85,579</u>	<u>(272,577)</u>
Total tax charge/(credit)	<u>135,307</u>	<u>(364,297)</u>

The actual charge/(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:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Loss before taxation	<u>(18,042,191)</u>	<u>(14,433,054)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(3,428,016)	(2,742,280)
Tax effect of expenses that are not deductible in determining taxable profit	1,376,341	473,013
Tax effect of income not taxable in determining taxable profit	(463,813)	(219,465)
Change in unrecognised deferred tax assets	-	10,031
Adjustments in respect of prior years	35,606	-
Effect of change in corporation tax rate	(158,934)	-
Depreciation on assets not qualifying for tax allowances	-	218,773
Amortisation on assets not qualifying for tax allowances	2,312,931	2,086,096
Other permanent differences	31,086	-
Share based payment charge	-	(66,948)
Under/(over) provided in prior years	-	(104,341)
Deferred tax adjustments in respect of prior years	42,418	(19,176)
Deferred tax not recognised	373,566	-
Other tax adjustments	14,122	-
Taxation charge/(credit)	<u>135,307</u>	<u>(364,297)</u>

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****11 Intangible fixed assets**

Group	Goodwill	Software	Customer contracts	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2021	121,565,802	479,248	-	122,045,050
Additions - internally developed	-	308,062	-	308,062
Additions - separately acquired	1,774,403	-	3,358,629	5,133,032
At 31 March 2022	123,340,205	787,310	3,358,629	127,486,144
<b>Amortisation and impairment</b>				
At 1 April 2021	25,517,233	-	-	25,517,233
Amortisation charged for the year	12,289,721	-	615,748	12,905,469
At 31 March 2022	37,806,954	-	615,748	38,422,702
<b>Carrying amount</b>				
At 31 March 2022	85,533,251	787,310	2,742,881	89,063,442
At 31 March 2021	96,048,569	479,248	-	96,527,817

The company had no intangible fixed assets at 31 March 2022 or 31 March 2021.

Further details on acquisitions can be found in note 26.

**12 Tangible fixed assets**

Group	Total
	£
<b>Cost</b>	
At 1 April 2021	1,414,324
Additions	160,034
Disposals	(372,950)
At 31 March 2022	1,201,408
<b>Depreciation and impairment</b>	
At 1 April 2021	741,884
Depreciation charged in the year	323,874
Eliminated in respect of disposals	(361,622)
At 31 March 2022	704,136
<b>Carrying amount</b>	
At 31 March 2022	497,272
At 31 March 2021	672,440

The company had no tangible fixed assets at 31 March 2022 or 31 March 2021.

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****12 Tangible fixed assets (Continued)****13 Fixed asset investments**

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	14	-	-	-	407,036

**Movements in fixed asset investments**

Company	Shares in subsidiaries £
<b>Cost or valuation</b>	
At 1 April 2021	407,036
Share-based payments	143,572
At 31 March 2022	550,608
<b>Impairment</b>	
At 1 April 2021	-
Impairment losses	550,608
At 31 March 2022	550,608
<b>Carrying amount</b>	
At 31 March 2022	-
At 31 March 2021	407,036

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 14 Subsidiaries

Details of the company's subsidiaries at 31 March 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Harrow Midco Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	100.00	-
Harrow Debtco Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
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

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****15 Stocks**

	<b>Group</b> <b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>	<b>Company</b> <b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Finished goods and goods for resale	1,693,774	1,083,141	-	-

**16 Debtors**

	<b>Group</b> <b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>	<b>Company</b> <b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
<b>Amounts falling due within one year:</b>				
Trade debtors	3,848,434	3,484,124	-	-
Corporation tax recoverable	930,851	242,100	-	-
Amounts owed by group undertakings	-	-	-	5,043,115
Other debtors	3,745,410	194,455	3,700,000	2,440,714
Prepayments and accrued income	2,011,211	1,764,529	-	-
	10,535,906	5,685,208	3,700,000	7,483,829
Deferred tax asset (note 20)	-	396,745	-	227,812
	10,535,906	6,081,953	3,700,000	7,711,641

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

	<b>Group</b> <b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>	<b>Company</b> <b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Trade creditors	4,195,899	3,794,231	-	-
Amounts owed to group undertakings	-	-	-	915,546
Corporation tax payable	112,030	112,130	-	-
Other taxation and social security	1,440,429	2,951,313	-	-
Deferred income	1,510,223	1,792,029	-	-
Other creditors	4,960,628	2,479,085	1,724,413	-
Accruals	3,227,642	2,857,328	-	-
	15,446,851	13,986,116	1,724,413	915,546

**18 Creditors: amounts falling due after more than one year**

		<b>Group</b> <b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>	<b>Company</b> <b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
	<b>Notes</b>				
Loans	19	13,806,038	8,660,383	13,070,667	8,660,383
Bank loans and overdrafts	19	116,493,209	115,582,035	-	-
Other borrowings	19	1,781,059	-	-	-
		132,080,306	124,242,418	13,070,667	8,660,383

# HARROW TOPCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 19 Loans and overdrafts

	Group 2022 £	2021 £	Company 2022 £	2021 £
Deferred consideration	13,806,038	8,660,383	13,070,667	8,660,383
Bank loans	116,493,209	115,582,035	-	-
Loans from related parties	1,781,059	-	-	-
	<u>132,080,306</u>	<u>124,242,418</u>	<u>13,070,667</u>	<u>8,660,383</u>
Payable after one year	<u>132,080,306</u>	<u>124,242,418</u>	<u>13,070,667</u>	<u>8,660,383</u>

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.

There are further committed but undrawn facilities of £9.75 million.

#### 20 Deferred taxation

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

Group	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Fixed asset timing differences	-	112,918	-	16,278
Tax losses	-	-	-	152,655
Revaluations	552,316	-	-	-
Short term timing differences	-	(11,844)	-	227,812
	<u>552,316</u>	<u>101,074</u>	<u>-</u>	<u>396,745</u>
Company	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Short term timing differences	-	-	-	227,812

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****20 Deferred taxation****(Continued)**

	<b>Group 2022 £</b>	<b>Company 2022 £</b>
<b>Movements in the year:</b>		
Asset at 1 April 2021	(295,671)	(227,812)
Charge to profit or loss	85,579	227,812
Liabilities at acquisition	762,408	-
Liability at 31 March 2022	<u>552,316</u>	<u>-</u>

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.

**21 Retirement benefit schemes**

	<b>2022 £</b>	<b>2021 £</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>686,646</u>	<u>421,116</u>

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 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.

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****22 Share-based payment transactions****(Continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expenses recognised in the year</b>				
Arising from equity settled share based payment transactions	-	(352,356)	-	-

An equivalent credit is recognised in reserves.

The credit to profit and loss in 2021 arose from a change in estimate of the benefits that would eventually vest.

**23 Share capital**

	<b>Group and company</b>	
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
754,985 A Ordinary of 1p each	7,550	7,550
195,015 B Ordinary of 1p each	1,950	1,950
50,000 C Ordinary of 10p each	5,000	5,000
1 D Ordinary of 1p each	0.01	0.01
	<u>14,500</u>	<u>14,500</u>

The A Ordinary and C Ordinary shares carry the right to attend and vote at general meetings. A ordinary shares carry 80% of the total voting rights of the Company. B and D Ordinary shares carry no rights to attend or vote at general meetings. Distributions, when declared, are shared between the various classes of share according to formulae set out in the Company's articles of association.

**24 Share premium account**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At the beginning and end of the year	<u>1,010,500</u>	<u>1,010,500</u>	<u>1,010,500</u>	<u>1,010,500</u>

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****25 Non-controlling interests**

<b>Group</b>	<b>£</b>
At the beginning of the prior year	9,901,000
Share of profit	156,882
Dividends declared	(156,882)
At the end of the prior year	9,901,000
Share of profit	169,432
Dividends declared	(169,432)
Capital contribution	795,593
At the end of the current year	10,696,593

In 2020 a redemption of 9 million preference shares held in Harrow Midco Limited by non-controlling interests was made at £1 per share out of capital.

**26 Acquisitions**

On 30 April 2021 the group acquired the business of the managed print services division of Maintel Holdings plc.

	<b>Book Value</b>	<b>Adjustments</b>	<b>Fair Value</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Intangible assets-customer contracts	-	3,358,629	3,358,629
Inventories	250,000	(250,000)	-
Deferred tax	-	(762,408)	(762,408)
Total identifiable net assets	250,000	2,346,221	2,596,221
Goodwill			1,774,403
Total consideration			4,370,624
The consideration was satisfied by:			<b>£</b>
Cash			4,370,624

From acquisition, the acquired business contributed £4.1 million of sales and £1.2 million of profit before tax.

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****27 Profit and loss reserves**

	Group 2022 £	2021 £	Company 2022 £	2021 £
At the beginning of the year	(36,130,250)	(21,552,255)	(2,482,252)	(1,692,992)
Loss for the year	(18,346,930)	(14,225,639)	(9,781,400)	(436,904)
Share based payment transactions	143,572	(352,356)	143,572	(352,356)
At the end of the year	<u>(54,333,608)</u>	<u>(36,130,250)</u>	<u>(12,120,080)</u>	<u>(2,482,252)</u>

**28 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 2022 £	2021 £	Company 2022 £	2021 £
Within one year	364,804	427,605	-	-
Between two and five years	1,408,860	597,339	-	-
	<u>1,773,664</u>	<u>1,024,944</u>	<u>-</u>	<u>-</u>

**29 Related party transactions****Transactions with related parties**

During the year the group issued loan notes to its immediate parent undertaking for a principal sum of £2.345 million. The loan notes are unsecured and carry an interest rate of 8% per annum. The loans are repayable on the earlier of a defined exit and 29 April 2031. The directors have assessed the market rate of interest applicable to these loans at 16.45% per annum. The financing element of the loan has been recorded as a capital contribution in the sum of £795,593.

Following the post balance sheet refinancing discussed elsewhere in these financial statements, the cashflows expected from the loan arrangements have been reassessed and the loans have been recorded at £2.516 million at 31 March 2022. Interest of £967,523 has been charged in the financial statements.

In the year ended 31 March 2020, dividends on preference shares were declared to members of key management personnel of approximately £410,000 including accrued interest. Those amounts remained outstanding at 31 March 2021. Further interest of approximately £33,000 accrued on the unpaid dividend owed to key management personnel in the year ended 31 March 2021. In the year ended 31 March 2022 the preference shares owned by key management personnel were purchased by a parent company of the company. Accrued interest of £169,432 on the unpaid preference dividend has been charged to equity during the year.

In addition, during the year the group's parent acquired debt previously owed to a member of key management personnel. The balance due under this debt arrangement at 31 March 2022 is £10,993,333. Interest of £2,332,946 has been charged on this loan.

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****29 Related party transactions****(Continued)**

The following amounts were outstanding at the reporting end date:

**Amounts due to related parties**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Entities with control, joint control or significant influence over the group	15,737,096	-
Key management personnel	-	9,103,253
	<u>          </u>	<u>          </u>

**Company**

Entities with control, joint control or significant influence over the company	10,993,333	-
Entities over which the company has control, joint control or significant influence	-	915,546
Key management personnel	-	8,660,383
	<u>          </u>	<u>          </u>

The following amounts were outstanding at the reporting end date:

**Amounts due from related parties**

	<b>2022</b>	<b>2021</b>
	<b>Balance</b>	<b>Balance</b>
	<b>£</b>	<b>£</b>
<b>Company</b>		
Entities with control, joint control or significant influence over the company	3,700,000	-
Entities over which the company has control, joint control or significant influence	-	7,371,237
	<u>          </u>	<u>          </u>

Loans made to subsidiary entities are interest-free. £9,498,999 is repayable by subsidiaries for which provision has been made in the financial statements. As part of the refinancing arrangements discussed elsewhere in these financial statements, the company has forgiven debts from other group companies of £26,000 and been forgiven debts of £802,955. Adjustments for these transactions have been made in the financial statements.

**30 Controlling party**

The Company's ultimate parent undertaking is H.I.G. Europe Capital Partners II, LP, an entity incorporated in the Cayman Islands.

**HARROW TOPCO LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****31 Cash generated from group operations**

	2022 £	2021 £
Loss for the year after tax	(18,177,498)	(14,068,757)
Adjustments for:		
Taxation charged/(credited)	135,307	(364,297)
Finančné náklady	12,421,524	11,179,007
Loss on disposal of tangible fixed assets	11,028	37,310
Amortisation and impairment of intangible assets	12,905,469	12,078,784
Depreciation and impairment of tangible fixed assets	323,874	390,207
Equity settled share based payment expense/(credit)	143,572	(352,356)
Movements in working capital:		
(Increase)/decrease in stocks	(610,633)	916,872
Decrease in debtors	449,227	6,537,393
(Decrease) in creditors	(364,032)	(1,574,808)
<b>Cash generated from operations</b>	<b>7,237,838</b>	<b>14,779,355</b>

**32 Analysis of changes in net debt - group**

	1 April 2021 £	Cash flows £	Other non-31 March 2022 cash changes £	£
Cash at bank and in hand	8,760,007	(5,082,943)	-	3,677,064
Borrowings excluding overdrafts	(124,242,418)	(1,548,907)	(6,288,981)	(132,080,306)
	<u>(115,482,411)</u>	<u>(6,631,850)</u>	<u>(6,288,981)</u>	<u>(128,403,242)</u>