POWERING POTENTIAL

ANNUAL REPORT

2020

and Audited Financial Statements 2020
IndigoCyan HoldCo 3 Limited
(herein referred to as "QA" or the "Group")

POWERING POTENTIAL

We are specialists in technology, providing a comprehensive suite of both learning and talent services, helping individuals and companies to be winners in the digital revolution.

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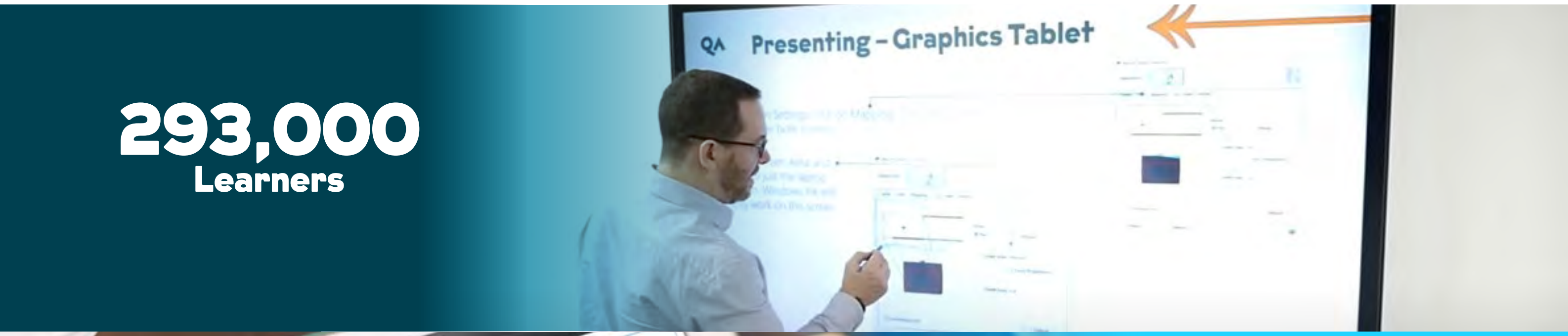
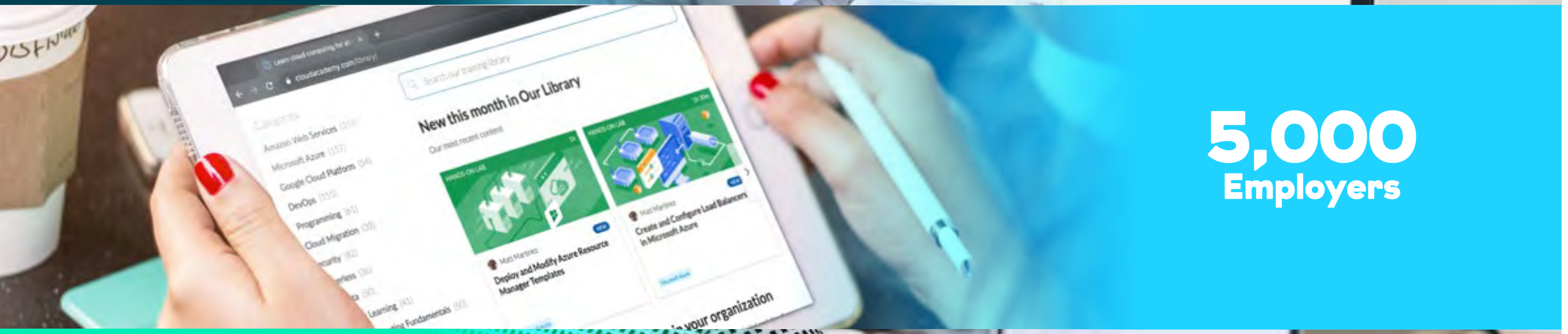
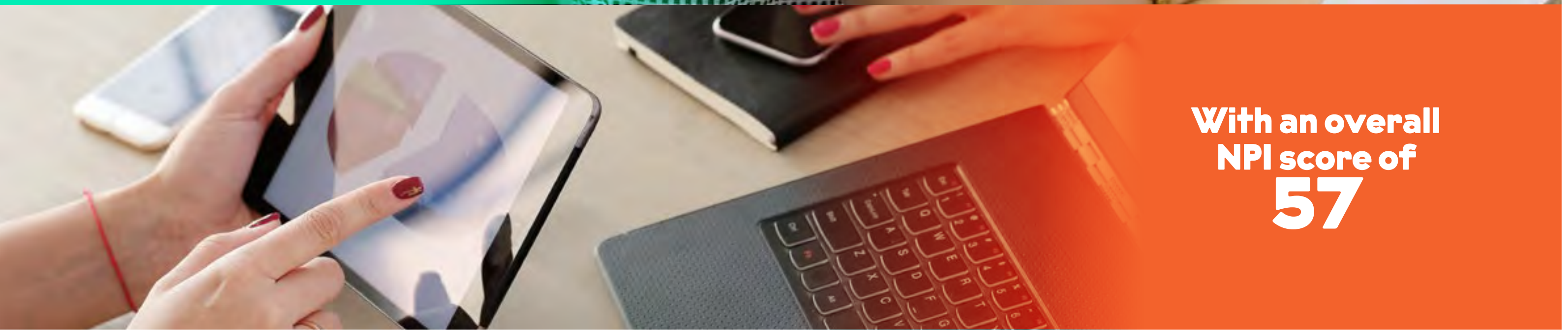
KEY HIGHLIGHTS

QA is the UK's leading technology talent and training organisation. We are specialists in technology – providing a comprehensive suite of talent and training services helping individuals and companies to be winners in the digital revolution

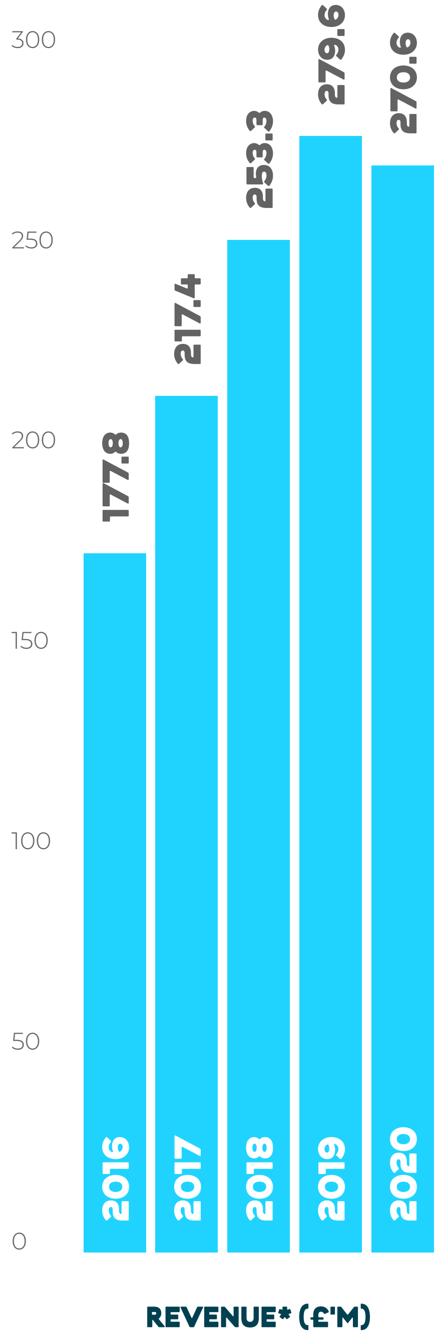
In 2020 we served more than:

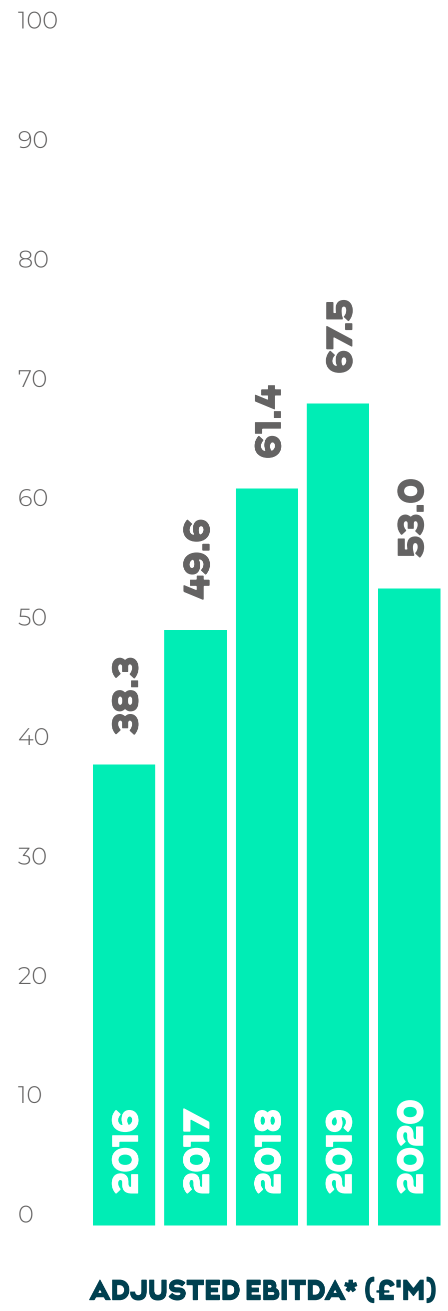


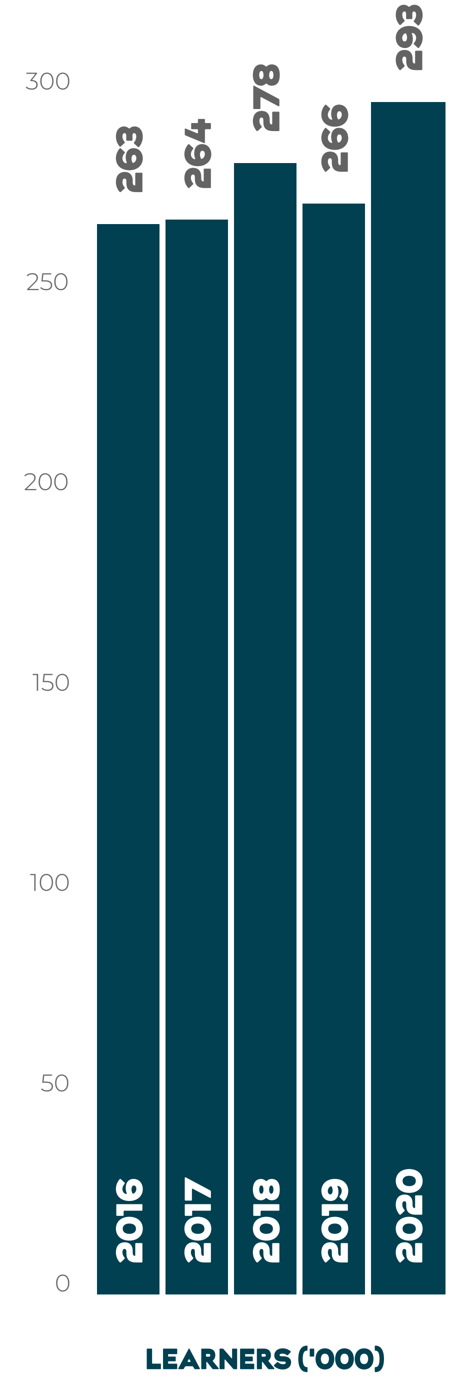




OUR YEAR







*Financials set out in Table 1 (pg 50) and Table 3 (pg 52) include definition and reconciliation of Adjusted EBITDA to the Group's loss before tax.

WHAT WE DO

QA is the UK's leading technology talent and training organisation. We are specialists in technology – providing a comprehensive suite of talent and training services helping individuals and companies to be winners in the digital revolution.

More than 293,000 people learnt with QA last year. We deliver services to over 5,000 corporate clients, representing a significant portion of the FTSE 250. We have leading practices in Agile, Cyber Security, Cloud and DevOps – as well as many other technology specialisms. In addition, our deep-rooted vendor partnerships mean that we deliver 70% of the UK's cloud training and are a Microsoft Gold delivery partner.

We specialise in the people side of technology transformation – our training programmes help businesses to upskill or reskill their existing employees and our talent services are used to identify, recruit and skill-up diverse technology talent.

We acquired Cloud Academy in 2019 expanding our reach into the US. Cloud Academy is a leading digital training platform, featuring guided learning paths, hands-on labs, and skill assessments. The platform supports not just our clients and their learners but also our apprentices and consultants on their skills journey, ensuring learning extends beyond the classroom and is embedded in developing workplace skills.

TRAINING SERVICES – DEVELOPING YOUR TECHNICAL STAFF

For the last 30 years we have consistently invested in our trainers, technology and facilities to become a trusted training and talent partner for global businesses and government organisations alike.

We offer a broad range of courses and wider training services across multiple subject areas – including Cyber Security, DevOps, Cloud Computing, Project Management and Data Analytics – to help businesses to develop and grow technology talent within their organisation.

Public Schedule

We are a national training provider, but with a local reach. Our public schedule offers a broad spectrum of technology training programmes that are delivered in person across our training centres and through virtual attendance via our "Attend-from-Anywhere" classroom product – a capability that enabled us to ensure our full schedule was available for clients during the Covid lockdown. We also offer private delivery for a client of these programmes, and develop bespoke courses to meet their specific training needs, at our centres, virtually or at a location of their choice.

3rd Party Training Services

For training that sits outside of our core technology specialisms, we have a network of hundreds of trusted learning partners. We source and book thousands of 3rd party programmes on behalf of our clients – giving us a combined purchasing power of £25m per year.

Managed Learning Services

We are also recognised as one of the UK's leading outsourcing and managed learning service providers – taking on all of the administration, sourcing and management of training spend to deliver more efficiently and effectively on the L&D budget.

TALENT SERVICES – BUILDING YOUR TEAM OF TECHNOLOGY TALENT

The technology sector is facing a supply-and-demand dilemma like no other. The talent which businesses need to succeed and grow is in short supply, and it often commands too high a price. QA is tackling this problem head-on with our Apprenticeships, Technology Specialist Academy and Reskill Academy programmes – and we are succeeding where recruiters cannot. Not only do we find diverse and ambitious talent – we then arm them with the technology skills businesses need to transform.

Apprenticeships

We've trained over 30,000 technology apprentices (and counting) and offer apprenticeships from level 3 all the way up to masters-degree level 7.

Our programmes are 'digital by design' meaning they use a unique combination of online, offline and face-to-face learning – only introducing each element where it adds the most value for learners. We support organisations looking to utilise their apprenticeship levy, working to identify the best combination of programmes for them. We will then recruit apprentices or identify internal staff who might be eligible to upskill.

Technology Specialist Academy

Our Technology Specialist Academy operates on a Recruit, Train, Deploy consulting model. We recruit the best technically-minded people, train them via our British Computer Society (BCS)-accredited 12-week academy, and then deploy them into our clients' businesses to help meet their digital requirements.

By handling all the recruitment, training and administration we reduce the risks and costs of hiring and enable businesses to rapidly scale their technical project delivery capability. Our consultants are trained in the latest digital skills, including DevOps, Cloud, Pega, RPA and Software Automation.

Reskill Academy

In addition to supporting clients to bring fresh new talent into their business, we also help them to look at existing employees differently – identifying which employees have 'technology potential' and reskilling them for redeployment into new roles.

Clients use our Reskill Academy programme to retrain back-office administrators and redeploy them as data engineers or upskill IT service desk engineers into fully-fledged software developers. Alternatively the academy can be a great outplacement programme to offer transitioning employees.

Our range of technology talent services means that the right people are never in short supply. 100,000 people a year apply for a technology job with QA – we attract applications from a diverse mix of backgrounds and experience levels. This makes us well placed to find, train and recruit new technology talent for our clients – be they graduates, apprentices or experienced hires.

HIGHER EDUCATION

Our Higher Education business complements our corporate products and services. QA Higher Education works in partnership with universities, colleges and education specialists in the UK, to recruit, market and deliver a range of programmes to international and domestic students from foundation level, to undergraduate and postgraduate degrees.

Our partner universities include London Metropolitan University, Middlesex University, Northumbria University, Solent University, Ulster University and the University of Roehampton and we offer more than 100 degree programmes in a range of subjects from Accounting to Web Development. We teach these programmes 7 days a week and currently have over 4,000 students studying with us across 8 different teaching locations (including Partner sites).

CHAIRMAN'S REVIEW

SIR CHARLIE MAYFIELD

OUR YEAR

"QA is doing everything it can to bring high-quality training to workers, wherever they may be"

This has been a year like no other. For businesses across the country, large and small, what we've been able to take for granted has been turned on its head. But as the recovery from the Covid pandemic slowly begins – it is businesses that must lead the charge towards growth. And as any business leader knows, at the heart of that recovery must be the people who work for those businesses.

There is a need to make businesses match-fit to lead the recovery. A need to address some of the longstanding issues in the UK economy. And a need to support staff and colleagues who have been locked-down and isolated for months on end. The solution to all three? A national effort to train and to learn.

For QA, that means readying ourselves for the months ahead and taking our role in the national recovery very seriously. Now is the time to train, and I believe there are three good reasons why businesses will choose to invest in training to support recovery.

Firstly, time and again it's been shown that those who invest in their capacity and capability during the downturn will emerge the strongest. Moreover, the need to upskill and reskill a workforce for new times has not gone away. Pre Covid, research published by the Industrial Strategy Council suggests that by 2030 nearly 90% of the working population may lack the digital skills needed – if anything the current crisis will accelerate that trend.

Secondly, it replenishes the vital role of work in our lives. Workers have been stuck at home for several months of the year – some furloughed, some working. For many the transition back to the office will be slow and staggered, and we know that some organisations will choose to permanently pivot to virtual working. Maintaining a connection to work and our colleagues supports our mental health – we gain not just skills through training, but a sense of identity and a collaboration with others.

Thirdly, it capitalises on the recognition that we have the technology to make online learning work well, and at scale. Whether it's video conferencing, or greater use of online project management tools, we're all using technology more, and realising how it can revolutionise the delivery not just of our work but of learning too.

QA is doing everything it can to bring high-quality training to workers wherever they may be. 95% of our courses are available through virtual classroom, and we are adding new content to our online learning platform (Cloud Academy) faster than ever before. In May we held over 300 virtual classroom courses, with over 3,000 learners. We have rolled out new advice, webinars, and courses to support effective home working.

However the recovery is led, businesses will need their people. I was encouraged to see that the government agrees. The raft of new supportive measures announced by the Chancellor in July are all centred around upskilling to kick start the economy.

We've never before had the courage to stop for long enough to make such an ambitious commitment to train. That chance has been thrust upon us, but by making this the time to train, I believe UK businesses can truly create an opportunity from crisis - and QA will be there to support them to do so

Sir Charlie Mayfield
Chairman

CEO STATEMENT

PAUL GEDDES

"QA is on the front line, supporting our clients and learners to be winners in this digital revolution"

While Covid has clearly impacted our performance, I am extremely proud of how QA has reacted to the crisis – we will emerge a stronger and more relevant business as a result.

I want to start by thanking everyone at QA for how they reacted to the crisis. This has not been the kind of first year I had planned for, nor one you could expect, but I am proud of the way we responded quickly to keep our business operating for our learners and students. The commitment, resilience and support of all QA's employees has made a huge difference. The crisis has accelerated the imperative for our clients to use technology to transform their businesses, and the UK's well-publicised skills gap is therefore an issue of growing strategic importance. QA is uniquely well-placed to help fill this, a fact that gives me great confidence for the long term prospects of the Group.

But despite an impressive growth story in recent times, the last year was a challenging one for the Group with trading below expectations and a full year result impacted by the lockdown. Overall Group revenues at £270.6m (2019: £279.6m) were down 3% and Adjusted EBITDA, our key profit measure, was down 21% at £53.0m (2019: £67.5m). Earlier in the year, it became clear that we needed to keep strengthening in a number of areas to stay ahead, and this was reinforced during Covid.

I introduced a group-wide manifesto to set some key long-term priorities which everyone in the Group is focused on:

1. **We launched a "OneQA" integrated structure and operating model to be client-first and drive our efficiency**
2. **We will support our clients by offering a broader set of solutions, to a greater number of buyers and companies, across a wider set of countries**
3. **We will be a lean and agile business that is digitally led**
4. **We will foster a new culture where everyone is encouraged to 'Bring their whole-selves to work'**

1. We launched a "OneQA" integrated structure and operating model to be client-first and drive our efficiency

QA is uniquely placed to help businesses close the tech skills gap – no single competitor can deliver digital and live training, re-skilling and talent solutions to clients. This means we can offer Technology and Human Resources leaders joined up solutions to their tech talent needs. We previously marketed, sold and delivered all of the different parts of our offer separately - which was not only inefficient, but risked missing opportunities to join up all of the things QA can do for our clients.

I announced a Group-wide restructure in November called OneQA. It described a much more integrated business across the former QA Learning, QA Apprenticeships and QA Consulting units. I made changes to my executive committee to support this new structure – we now operate a matrix structure – with my team having both a functional responsibility across OneQA (marketing, sales, delivery), as well as an income statement responsibility for one of the business units.

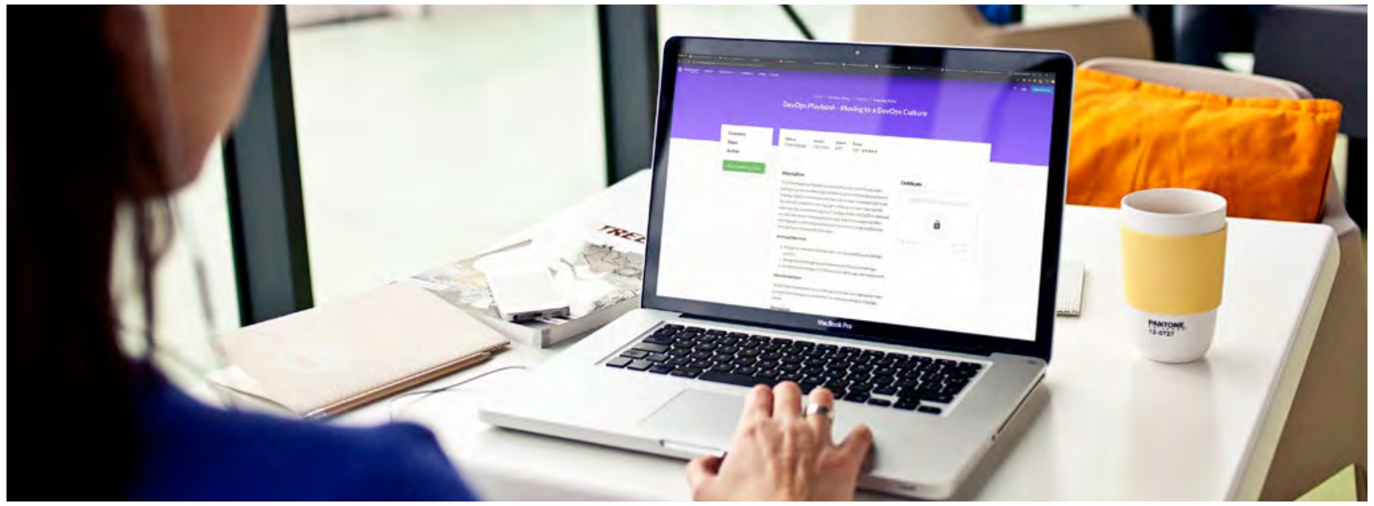
We are increasingly a client-first organisation. Across the business we work collaboratively to resolve our clients' technical-talent and training challenges.

In marketing for example, our teams can be more sophisticated in what we market to clients and the way we do it. We now consider our collective client base, issuing targeted campaigns that consider the end-audience, what they already buy from us, and what complementary services and new product launches will be of interest.

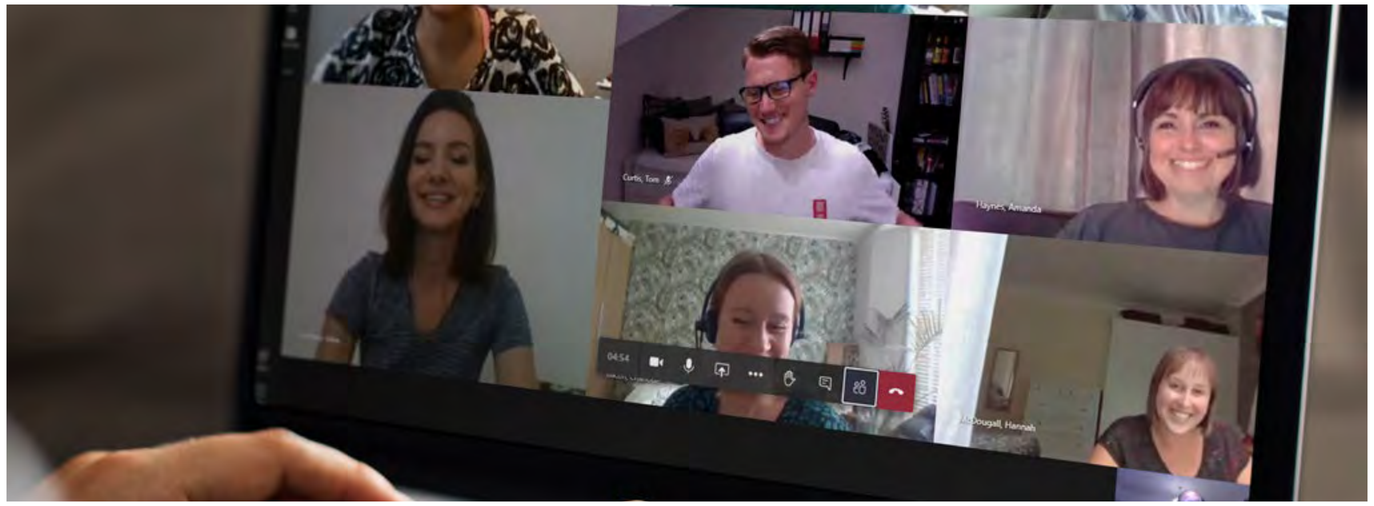
2. We will support our clients by offering a broader set of solutions, to a greater number of buyers and companies, across a wider set of countries

In October, Srikanth Iyengar – previously Group Chief Executive at Conduent Europe and Group Sales Officer at Capgemini – joined my executive committee to transform QA's sales functions.

Srikanth has implemented a new sales structure. The regional teams have been consolidated to sell a broader set of services. In addition to refocussing the existing team, we also brought in external



Cloud Academy has brought a new dynamic to QA's delivery of the best learning options.



Our virtual learning offering means learners can attend training remotely, where ever they are.

The participants of the CyberFirst initiative. Only a number of the 43,000 students CyberFirst has engaged with since QA's first involvement in 2016.

talent – blending the best of both. We have a new enterprise sales team working to better service existing relationships and sell a broader set of services to a broader set of contacts within those organisations. As with any new structure, the change has been disruptive but we have had some very encouraging quick wins to celebrate. We (as part of a consortium bid with a partner) won a significant training mandate from the Government, through a competitive tender. This will involve delivering a range of learning services into the civil service and wider public sector.

As well as a new structure, the new sales team also has a more clearly defined and streamlined set of products to sell. Following a successful project with Nationwide, we have launched a new reskilling proposition. There has long been a worldwide shortage of the most in-demand tech talent and Nationwide looked to us to help them to solve this challenge by thinking about their existing staff differently. We have trained three cohorts of their staff in in-demand technology skills through a 12-week Re-Skilling Academy – staff ranged in age and experience level and were previously performing a range of roles across the Company including customer service and front-office staff. They are now fully-trained junior software developers, redeployed in Nationwide's tech teams.

In June 2019 we acquired Cloud Academy – a leading enterprise digital learning platform for tech skills.

QA's clients teams have embraced the new platform to help our large enterprise clients such as Unilever and BT as well as Government contracts, where we are driving skills across large-scale Cloud projects, and we have started to get meaningful traction in the Financial Services sector.

3. We will be a lean and agile business that is digitally led

QA is on the front line, supporting our clients and learners to be winners in this digital revolution - and we are also practising what we preach. In the three weeks that preceded the UK going into the lockdown we had 95% of our public schedule courses online. We also rapidly expanded our offering, with brand new, context-relevant offers including a new suite of courses on homeworking practices. This included new bite-sized 2-3 hour sessions on topics such as online collaboration.

We also wanted to support furloughed workers to get the latest tech skills, so they could in turn help to drive the economic recovery when they returned to work. We offered them a quarter of a million pounds worth of free training places in some of the most in-demand tech skills areas including Cloud Computing and DevOps.

In April, as a small gesture of our thanks and support – we gifted every NHS employee free access to Cloud Academy. Over 4,000 NHS workers took advantage of this offer and the platform's learning paths have been used to support those working 'behind the scenes' – doing everything from keeping systems running to producing crucial data and information.

We are also investing in further product development to seamlessly blend QA's instructor-led classroom and virtual learning with Cloud Academy's digital platform. Digital platforms and live learning have different strengths for learners and clients.

Digital learning is very efficient (both in terms of time and money) and highly measurable. Live learning gives learners the time and focus to really understand a subject, compare notes with other learners from other companies, and get practical expert help from an expert in real time. We will bring both these strengths together with a unified digital platform and new blended courses – with pilots planned for later this year ahead of a 2021 roll-out.

Even before the Covid crisis, we have been investing in state-of-the-art equipment in our learning campuses to give our virtual learners an excellent experience from anywhere in the world, with "Net Promoter Scores" that match the same high scores we get from the learners in our classrooms. This has been very important to us through the crisis, and we will continue to invest and innovate our virtual live training offer.

We also invested in our talent offerings this year – significantly evolving our apprenticeship programmes. Our investment in a new digital-first and mobile-ready platform in FY20 will bear fruit in FY21. Whilst we continue to balance the delivery between face-to-face and virtual learning we are taking a digital-first approach to deliver a seamless learning experience to our apprentices. Moreover, our programmes have been designed using the 'Discover – Practice – Apply' model - a pedagogical theory that has enabled us to create a learning programme where apprentices can apply their skills in the workplace far quicker – offering greater value to their employer. We celebrated a high-profile win as a direct result of our innovation in this space – securing the delivery of all digital apprenticeships into HSBC. During the year we stopped selling our non-technology programmes.

QA Higher Education had another terrific year, delivering excellent academic results to more students, from more countries, partnering with more universities on a greater number of courses. We will continue to invest to drive the growth of our Higher Education business. We will also fully capture the clear synergies that exist within the Group – for example Degree Apprenticeships and best practices in virtual learning delivery.

4. We will foster a new culture where everyone is encouraged to 'Bring their whole-selves to work'

An organisation where people are encouraged to bring all of themselves to work will foster a culture of inclusivity and collaboration. My ambition is for QA to be a place which feels easy to work, collaborate and have fun.

This year we proactively pursued a number of internal and external activities that champion inclusion and help to support employees' mental and physical wellbeing.

Earlier in the year we put out the call for our people to host live wellbeing sessions – and we were not disappointed! From live-lounge acoustic guitar sessions, to keep-fit boot camps – morning mindfulness to dance routines over lunch – the individual talents of our employees showed no bounds.

I am hugely proud of the self-supporting nature of these activities – everyone that hosted sessions (and continues to host them still) volunteered their time to do so. This gives me confidence that they will have longevity – with myself and colleagues continuing to tune in for Blair Perry's weekly workout or jam sessions with Billy Bingham in the months and years to come. A massive thank you from me to everyone who hosted (and enthusiastically participated) in these sessions.

We have also established an employee partnership forum this year to ensure we have a group actively working with the leadership team to continue to drive forward this strategic aim to promote an open and inclusive culture, leading to greater engagement. The employee partnership forum will also be a source of innovative and improvement initiatives for QA.

The year in review

We started the year with a whole new look. Our new brand was launched in the summer of 2019 and with it a clearer articulation of the new OneQA set of services. The rebrand won Best Rebrand at the Engage Awards with a look and feel we can be proud of and that better represents the progressive and dynamic business we are.

In the Autumn we conducted a full strategic review of our Consulting and Learning businesses with Bain & Company, including extensive market analysis and customer research. This work underpins our business plans, with short and long term actions now in development to realise the opportunities identified.

In October we partnered with leading social enterprise Stemettes to launch a free STEM Certification Academy. The tech sector has a real diversity challenge and we wanted to take some proactive steps to address this. The programme with Stemettes empowers young women to pursue a career in technology by offering them a week of training, coaching and industry-recognised Agile certifications. 10 young women (aged 16-20), all from diverse backgrounds, attended and 2 of them went on to enrol in our 12-week tech academy programme to be technical consultants.

Our work with the National Cyber Security Centre (NCSC)'s CyberFirst Programme hit some major milestones in the autumn. The programme has come a long way since our involvement in the pilot in 2016. Now four full years since it's launch, the initiative has supported over 900 hand-picked CyberFirst Bursary students and engaged with over 43,000 students through the CyberFirst courses and Girls' Competition – firmly establishing itself as the UK Government's flagship cyber security development programme. We're proud to be a CyberFirst Partner (status recently awarded), providing the delivery capability of CyberFirst training that inspires the next generation of Cyber Talent in the UK.

January saw us playing host to 8 Ofsted inspectors – our first full inspection since 2013. The team were delighted to achieve the Grade 2 (Good) rating - formally recognising that we continue to provide a high level of training and education to all our learners. The Ofsted inspectors commented that "Apprentices benefit from state of the art commercial training facilities" and that they "value the teaching from credible subject experts with significant technical knowledge and professional experience".

Our Higher Education business has continued to perform very strongly. In March we announced a new partnership with London Metropolitan University. QA now delivers business-focussed degrees for UK and EU students in central London with the final degree awarded by London Metropolitan University. The joint offer allows students to develop themselves at a time most convenient for them – including evenings and weekends – and we offer start dates outside of traditional intakes.

The winter months saw activity on our Teach the Nation to Code (TTNTC) programme really ramp up. TTNTC is a QA-volunteer-led programme that's delivered over the weekends, in postcodes identified as highly populated with low income households. During lockdown we flipped to virtual delivery and it continues to be a useful initiative to drive diversity in our recruitment pool for our apprenticeship and academy programmes.

Paul Geddes
CEO

The Beaufort Cyber Hub was another route to introduce younger students to valuable cyber skills.

Our Apprenticeships Clearing Line is a fantastic example of how we encourage the UK's technology apprentices to thrive.

Meeting and greeting learners with the QA team at International House.

OUR RESPONSE TO COVID

Covid - Protecting our business

Since late March 2020, QA Group's trading has been impacted by the outbreak of the pandemic. Firstly, we have had to adapt to a new way of working and secondly the demand for our services has lowered, as our clients themselves responded to the impact of the crisis on their own operations.

Faced with these challenges and an ever-evolving situation, we adopted a clear and decisive strategy to ensure we weathered lockdown and came out in a strong position. Our approach comprised of 4 stages:

1. **Protect people**
2. **Protect revenue**
3. **Reduce costs and resize our cost base**
4. **Emerge stronger for growth**

1. Protect people

We moved rapidly to migrate our people to full home working. This included distributing 1,300 pieces of new IT kit to our people including quadrupling the number of VPN licences across the Group.

The speed and smoothness of this transition kept disruption to a minimum and has really supported our people to continue working as if they were in the office.

We used online platforms to strengthen communication and increase collaboration and productivity, as well as providing guidance on effective and safe homeworking.

2. Protect revenue

With 95% of our public schedule courses available via virtual classroom we invested in additional resources e.g. distributing more than 800 digital tablets and headsets to our instructor community to enhance course delivery. We have closely monitored our NPI (net promoter index) scores, which remain strong at 57.

In our Higher Education business, we virtually enrolled 2,000 new undergraduate and postgraduate students, as well as developing and launching an online-only foundation English programme for International students.

We also rapidly expanded our offering, with brand new, context-relevant offers including a new suite of courses on homeworking practices. This included new bite-sized 2-3 hour sessions on topics such as online collaboration. We also introduced a half day training series run in the mornings to best fit around learner requirements.

We reviewed our promotions to offer greater value during the period. For example, to counter the barriers to purchasing new annual skills licences we extended the annual licences for use over a longer period. This provided clients extra time and flexibility, whilst they navigated the impact of the pandemic.

3. Reduce costs and resize our cost base

To protect the business through uncertain times and ensure we were in a position to continue delivering for our clients, we took immediate actions including reducing our use of contractors and freelancers, or deferring recruitment and capital expenditure projects, and voluntary pay reductions (which over 90% of our people supported).

Despite these measures, it became clear that the pandemic would impact the business for many months and that it was necessary to right-size our business and reduce headcount costs. Through a collective consultation process Group headcount was reduced by approximately 20%. Whilst this is clearly regrettable, I know it was unavoidable. My overriding priority was to ensure those that leave QA, do so with our full help, guidance and support, which included re-training initiatives, This included the offer of free 12 week re-training programmes, funded short-courses and 3rd party professional outplacement services.

Further, we used government support measures including the deferral of VAT and PAYE which benefited our cash position.

4. Emerge stronger for growth

We have taken the right short term actions and now the focus, as we head into the new financial year, is on the recovery profile and long term growth initiatives. Our clients and learners need our support more than ever to make sure they develop the skills and capabilities to navigate their own rapidly changing markets. I am confident that we will emerge from this crisis stronger than ever before.

We have accelerated key investments in our priority growth opportunities across the Group, including:

- **Launch of blended learning – the best of digital/best of live brought together in a new client portal**
- **Leverage the new digital platform to become a leading developer of in-demand tech talent and re-skilling in Consulting & Apprenticeships**
- **Invest in new programmes, partners and digital delivery in Higher Education**
- **Expand Cloud Academy's content and platform functionality, and invest in the US and UK sales and marketing teams**

The growth initiatives are underpinned through our key enablers of:

- **OneQA's unified sales and marketing**
- **Increased brand awareness and consideration**
- **Market leading technology platform**
- **Highest quality delivery capability and content**

The Board are confident in the Group's prospects, stimulated by the breadth of services it provides, and that it can continue to successfully navigate the economic environment triggered by the Covid pandemic.

OUR YEAR

OPERATIONAL KEY PERFORMANCE INDICATORS

WE HAVE A NUMBER OF OPERATIONAL KPIS AS FOLLOWS:

TO ENSURE WE ARE PROVIDING THE HIGHEST QUALITY EDUCATION AND LEARNING FOR:

LEARNERS

Ensuring excellent learner experiences which in turn meet the required corporate or societal outcomes.

KPI

Average learner Net Promoter Score (NPS) was:

57

meaning over 90% of learners would recommend us.
(2019: 57)

EMPLOYERS

Ensuring effective transfer of learning with measurable and meaningful return on investment.

KPI

Average employer NPS was:

56

meaning over 85% of employers would recommend us.
(2019: 55)

REGULATORS

Ensuring national quality standards are met.

KPI

Ofsted Good Provider.

Successfully QAA reviewed.

TO ENSURE WE ARE INVESTING IN LEADING-EDGE CONTENT AND DELIVERY

Investment in the development of new programmes to support evolving client needs.

Solutions for every skills gap (training, apprenticeships, higher education programmes, academy consultants).

Full range of learning delivery channels including digital coaching, applied skills labs, classroom or a blend of all of these.

TO ENSURE WE ARE ATTRACTING AND RETAINING THE BEST TALENT

2,132

average employees
(2019: 2,001)

338

employee shareholders
(2019: 372)

7

year average manager tenure
(2019: 7)

THE BOARD

THE BOARD

The Board has collective responsibility for the strategic direction and long-term performance of the Group.

SIR CHARLIE MAYFIELD

Chairman

Appointed: November 2017

Charlie joined QA as Chairman in November 2017.

He was previously Chairman of the John Lewis Partnership (JLP), stepping down in 2020. Charlie joined the JLP as Head of Business Development in 2000. He became Managing Director in 2005, and then Chairman in 2007.

From 2010 to 2016, Charlie was the Government appointed Chair of the UK Commission for Employment and Skills. In June 2013 he was knighted for services to business.

PAUL GEDDES

Chief Executive Officer

Appointed: September 2019

Before joining QA, Paul was CEO of Direct Line Group (DLG) where he led the Group's successful IPO.

Prior to that, he was CEO of RBS Group's mainland UK retail banking business, largely under the NatWest brand. Paul is a Non-Executive Director of Channel 4 Television.

Paul read PPE at Oxford before joining brand management at Procter & Gamble. In 2007 he moved into retailing, becoming Marketing Director at Argos, including responsibility for the online business and winning awards for marketing and digital innovation.

For nearly 30 years, Paul has consistently embraced innovation, particularly digital, as well as the development of talent.

NATHAN RUNNICLES

Chief Financial Officer

Appointed: May 2018

Nathan joined QA as CFO in May 2018.

Before QA, Nathan was CFO at Tes Global and Research Now Group Inc. Prior to that he was EMEA Finance Director at Fitch (part of WPP Group plc). He has experience in group finance, legal, corporate finance, investor relations and corporate development. At Research Now Group Inc., he oversaw the development of the business from a public company, through two private equity transactions in 2009 and 2015.

Nathan's roots in finance started when he became a qualified Chartered Accountant at PricewaterhouseCoopers in 1998. He also has a BSc in Economics and Accounting from the University of Bristol.

RICHARD BLACKBURN

Non-Executive Director

Appointed: June 2017

Richard is a Senior Managing Director at CVC.

He joined CVC in 2007. Prior to joining CVC, he worked in Morgan Stanley's M&A department. He graduated with a BA degree from the University of Oxford.

ROB LUCAS

Non-Executive Director

Appointed: June 2017

Rob is a Managing Partner at CVC.

He joined CVC in 1996 and is a member of CVC's European Investment Committee and sits on the board of both CVC and a number of CVC's investee companies. Prior to joining CVC, Rob spent nearly a decade with 3i and graduated from Imperial College, London.

Length of time served on the Board

THE EXECUTIVE LEADERSHIP TEAM

THE EXECUTIVE LEADERSHIP TEAM

SRIKANTH IYENGAR

Chief Client Officer

Appointed: November 2019

Srikanth joined QA as Chief Client Officer in November 2019.

Prior to QA, he was the Group Chief Executive – Europe at Conduent, driving their vision to become a digital interactions leader in Europe. He has previously been the Group Sales Officer and a Member of the Group Executive Committee at Capgemini, where he had direct oversight of Capgemini's strategic global accounts, with annual revenues in excess of 2 billion Euros.

He was also a member of Capgemini's Innovation Exchange Steering Committee. Srikanth has previously been at IGATE, where he co-led the merger of IGATE with Capgemini, and at Infosys, where he was Regional Head of Europe for Financial Services and Head of Infosys UK.

JAMES FROST

Chief Marketing Officer

Appointed: January 2020

James joined QA in January 2020 as Chief Marketing Officer.

He is a highly experienced marketing leader with a long and impressive career in both Marketing and Product Development across both B2C and B2B organisations. He started at Unilever, running their detergents brand portfolio across Europe, before moving to become the Marketing Director for the Nectar loyalty programme.

Most recently he spent four and a half years as the Chief Marketing and Commercial Officer for the UK division of Worldpay, where he was part of a team that managed a successful IPO in 2015.

James graduated with a degree in Chemistry from the University of Oxford.

JULIE NOONE

Chief Executive Officer (QA Higher Education)

Appointed: March 2014

Julie joined QA as Managing Director for the QA Higher Education business in March 2014.

Julie initially qualified as a Chartered Accountant and Chartered Tax Advisor. She then moved to BPP Professional Education to lecture in tax and law.

She made the move to Hong Kong where she delivered professional education in their Asia Pacific region and was subsequently appointed Managing Director of Kaplan (Asia Pacific). After this, Julie returned to London with Kaplan – to become Chief Operating Officer for Kaplan UK.

STUART MARTIN

Managing Director (Sales)

Appointed: June 2008

Stuart joined QA in February 2000. as an Account Manager and five years after joining QA, he became Sales Director.

Stuart started his career with QA as a sales account manager and has progressed into numerous leadership roles since then.

He led our sales operation when QA merged with Interquad, Xpertise and Remarc. In 2018, Stuart played a pivotal role in evolving our Recruit Train Deploy Academy proposition as Managing Director of our Consulting business.

Before joining QA, Stuart worked in training and online education for IBM and Ten-TV.

STEFANO BELLASIO

Chief Digital Officer and CEO (Cloud Academy)

Appointed: July 2019

Stefano joined QA as part of the Cloud Academy acquisition in 2019.

Stefano is passionate about technology. He started coding and building websites when he was fifteen and he has never looked back. He loves building things that solve real problems and that is why he founded the Cloud Academy business in 2013.

He sold the Company to QA in 2019 and continues to remain an integral part of the business, taking on a dual role as Group Digital Officer (for the entire QA Group) and he remains CEO of Cloud Academy.

DARREN BANCE

Managing Director (Education Operations)

Appointed: January 2020

Darren joined QA in January 2020 as Managing Director of Education Operations.

Prior to QA, Darren was Executive Director of Learning Services at Capita, leading the division that included the learning and training businesses; Apprenticeships, BlueSky, Brightwave, G2G3, Fire Service College and Knowledgepool.

Prior to this, Darren spent 10 years in the Middle East creating operations and service management capabilities and delivering technology-enabled business change programmes for private and public sector clients.

Darren has a degree in City & Regional Planning from University of Wales.

OUR PEOPLE

OUR PEOPLE

Our people are at the heart of everything we do - we want them to feel proud to work for QA.

Our people are key to our success and we share this with them. Celebrating and rewarding their achievements is what we love the most.

REWARD AND RECOGNITION

Reward and recognition is extremely important at QA. It is an excellent motivator that makes people feel appreciated and instills a sense of pride in key achievements.

Our recognition programmes are aligned to the values laid out in our QA manifesto. They are designed to reward people for outstanding work and the key contributions they make to our business.

Our Club 110 programme celebrates our sales teams. The programme rewards those that make in excess of 110% of their annual target – last year 54 of our people qualified for a trip to Reykjavik.

We have historically recognised non-sales employees via a separate reward scheme - calling out examples of outstanding work, 1st-class customer service and identifying QA role models who live our Group's values. This scheme has been open to everyone and we welcome internal nominations from colleagues and the executive team. This year we celebrated with two events, one with a champagne reception and dinner at the OXO Tower and another with a Mad Hatters themed afternoon tea.

In addition to our recognition programmes, we review and benchmark our salaries to make sure that we reward our people fairly. All employees are paid at least the National Minimum Wage. Some roles have a compensation structure aligned to them and any bonus is paid based on the employee's performance set against an agreed criteria.

The QA pension plan is open to everyone. We operate a SMART pension plan and all new employees are automatically enrolled into the plan.

As part of our rewards package our people receive core benefits such as life assurance and a competitive holiday entitlement. We also offer a number of flexible benefits, including buying holiday, cycle to work scheme and private medical care (to name a few). This year we received 213 applications to buy extra holiday – allowing our people to take extra time away from the office. We regularly review our reward package to make sure we offer benefits to match the interests of our diverse teams.

This year we introduced a new fitness and wellbeing benefit through Gympass and a Medicash initiative – giving our people the protection and security when they need it the most.

"This really was a completely new concept to me, but it makes a huge difference to know that your contributions are valued. It was such a wonderful experience and an incredible group of people to have shared the afternoon with. Reward and recognition gave me a real sense of belonging and that what I do is worthwhile, for me that definitely contributes to my overall feelings of self-worth"

Lorraine Walsh, Head of Student Welfare
Employee recognition award winner, Summer 2019

EMPLOYEE ENGAGEMENT AND WELLBEING

People's lives are busier than ever before.

Our people's health and wellbeing is key to ensuring that they are engaged with their work, understand our direction, challenges and priorities, and recognise the importance and value of their contribution and involvement.

Against a backdrop of substantial organisational change, our employee's wellbeing is at the top of our agenda with a focus on recognising and supporting mental fitness issues.

Our wellbeing programme continues to evolve and includes:

- **Mental health first aiders**
- **Approved listener network**
- **Employee assistance programme**
- **Wellbeing rooms**
- **Online wellbeing community**

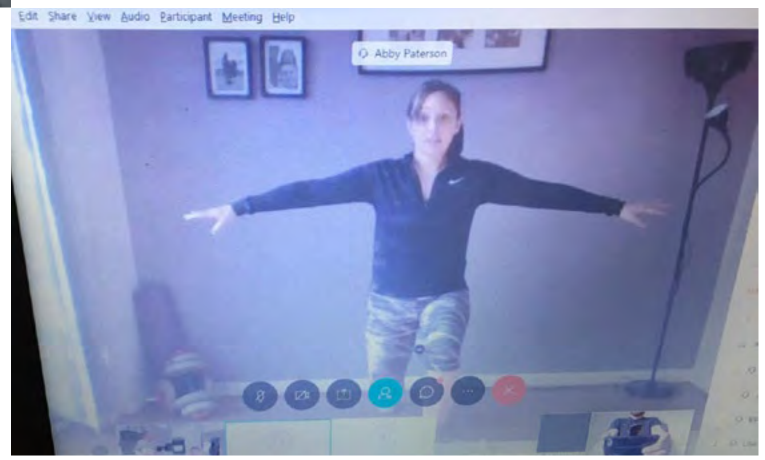
Our approved listener network continues to grow with over 200 employee-volunteers, spread across all of our centres. They promote and raise awareness around good physical and mental fitness in the workplace – supporting central activity and initiatives, including running groups, book clubs and tea and talk sessions on topics such as the menopause, resilience and self-awareness. The team have also created a series of podcasts about relationships and grief. As a result of suggestions from our listener community, this year the whole of QA celebrated 'bring your dog to work day'. A first for QA, it recognises the mental health benefits our furry friends can have on our overall wellbeing.

National Mental Health Awareness week in May always features on our calendar. In support of this initiative, our people come together to start conversations around mental fitness and help break down the stigma in the workplace. Despite being in lockdown this year was no different, but maybe more important than ever. Throughout the week we amplified our lockdown wellbeing activities, to include 'water cooler' drop in sessions, meditation groups and healthy eating recipes and demonstrations. In addition to the employee-led activities our mental health first aiders facilitated some honest and open discussions and shared experiences and techniques on how to manage and promote good mental fitness.

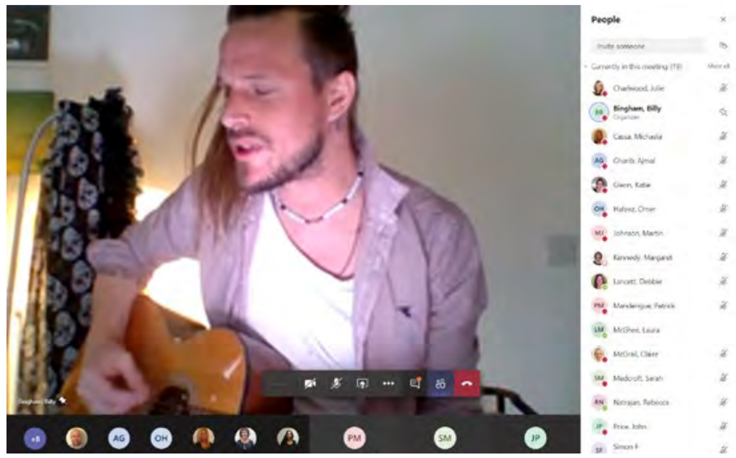
We will continue to enhance our programme throughout 2020 to include other areas such as financial wellbeing.

"It has been great to see our commitment to supporting our colleagues' wellbeing over the last year. The approved listener community has continued to grow, meaning more support for those in times of need and more recognition of the importance of good mental health in the workplace"

Rob Hoskins, Head of Sales



Part of our Wellbeing initiative for our socially distanced workforce included online workouts and jam sessions…



…all of which were initiated by the QA workforce and have continued post-lockdown.

Bring Your Dog to Work Day 2019.

LEARNING AND DEVELOPMENT

As a learning business, it is in our nature to constantly improve and challenge ourselves to find better opportunities and experiences for our people and our clients.

We want everyone at QA to be their best and we actively encourage them to take advantage of the extensive training and development programmes we offer out to the market.

Last year we invested in our people with 7,000 days of employee learning and development, this is in addition to over 4,000 days of mandatory learning completed by our people during 2020. In the last year we've nearly doubled the number of hours spent delivering training to over 85,000 hours (2019: 43,000).

We practise what we preach – like The Times article by Sir Charlie Mayfield, 'In extraordinary times, we must grab chance to develop new skills' we encouraged those employees on furlough to train and to learn. During this period 126 employees completed over 400 days of employee learning and development to develop their skills and to help create successful careers with us.

As part of our benefits package we also give all of our people access to three days of free training per year in any subject area they choose. These training days can be completely unconnected to our people's role – it is offered as an added benefit to encourage personal development. Equally, when we introduce new software or systems, for example the implementation of Office365 towards the end of 2019, we use our own QA trainers to deliver business application training to our people.

A business like ours relies almost exclusively on its people and we're lucky to attract some brilliant people to work for us. This year we continued to invest in new talent, hiring 747 new people into the business to better serve our clients. In addition to the new appointments, 146 of our people moved internally, either promoted into a more senior role or through an internal recruitment process.

We have over 2,000 full-time employees. Our people are loyal to us – the average tenure of those in a non-management role is over four years, with our people managers averaging seven years' service.

"My Project Management Apprenticeship with QA has really helped me gain the knowledge and confidence in a new career path. There are so many valuable skills I have learnt and developed that are transferable to my role at QA"

Sarah Botting, People Services Apprentice

We know that hiring apprentices and other people into 'earn and learn' roles is a proven way to build a skilled talent pipeline. This year we employed 24 apprentices and will continue to increase those in 'earn and learn' roles in the coming years. This is important to us and it is also great for the wider economy – skilling up people to fill the UK's core skills gaps.

2020 culminated in more than
7,000
learning days
(2019: 6,000)

Of QA's 2,132 employees, the average tenure of them are:

Management: 7 years

Non-Management: 4 years

INCLUSION

DIVERSITY AND INCLUSION

Individuality is respected and valued and creating an inclusive culture remains on top of our agenda.

We encourage our people to bring their whole self to work, allowing them to be the very best at what they do.

FOSTERING A DIVERSE AND INCLUSIVE BUSINESS

DIVERSITY AND INCLUSION

Our people are so important to us

Every QA employee should be able to be themselves at work. We believe that a diverse organisation, where people can bring all of themselves to work will deliver better decisions and achieve better outcomes. Our ambition is for QA to be a place which feels easy to work, collegiate and fun and that can only happen if we create the right environment for our people to be their best self.

Communities and resource groups

Despite the progress made in this area over the last 18 months, this year we went back to basics to help us truly understand how we can promote and ensure equality and a sense of belonging throughout the Group.

We asked our people and we listened to real-life stories from individuals from across the business, all united by a passion for fostering, promoting and driving the diversity agenda across the Group.

Each Executive member hosted a listen and learn session – a safe platform for our people to be open and honest with us about their experiences and what we can do to make positive change.

These sessions were designed to help inform and drive what we do next to deliver on our core aims:

1. **Make QA a top inclusive employer**
2. **Create a sense of belonging, regardless of differences**
3. **Nurture an inclusive culture**
4. **Raise awareness of diversity and inclusion at QA**

The Group values the individual contribution of all its employees and prospective employees from all sectors of the community. We recognise our social and moral duty to employ people with disabilities and applications for employment by disabled persons are fully considered.

Tackling Technology Sector Diversity

Given that only 19% of technology roles in the UK are held by women, it is important to us to continue to create meaningful opportunities and empower women to become leaders within our own business and in the technology sector. This year we joined forces with not-for-profit social enterprise Code First Girls and leading social enterprise Stemettes to directly tackle the diversity issues seen in technology departments across the UK. A long-term aim of the project is to increase the number of women working in technology roles.

Code First Girls

Our work with Code First Girls provided 11 women, all with a shared passion for technology, and from a diverse range of backgrounds – from stay-at-home mums to recent graduates – the opportunity to join a 12-week new training and employment programme. The free programme is designed to equip young women with industry-recognised training and certifications to go on to be successful software developers. At the end of the programme delegates will secure a job as a software development consultant with QA.

Stemettes

This year we launched the pilot of a free STEM Certification Academy to empower young women through training and certifications and to increase the number of women working in Science, Technology, Engineering and Maths (STEM). We offered free facilities, technology skills training from our qualified and experienced trainers and certifications to 10 young women (aged 16-20), all from diverse backgrounds, and all with the shared aspirations to work in STEM. The free, 3-day course covered Agile project management- a core skill and working practice used across the technology sector.

Teach the Nation to Code

We've made it our mission to get more people into technology. Through our 1-day coding workshops we've empowered over 1,000 learners to jump into a career in technology.

We've now taken the workshops online and attendees are able to join from anywhere, giving the sessions a much wider scope. We have hosted four virtual workshops in 17 different countries (including India, the UAE, Saudi Arabia, Afghanistan, Pakistan, the Netherlands and Canada) – training over 100 people. 54% of our virtual audience has been made up of female learners. The workshops have attracted attendees from a wide range of backgrounds: those with absolutely no coding experience and those looking to brush up on a few skills.

Teach the Nation to Code goes virtual

Virtual delivery in **17** different countries

54% of learners were female

59% were aged 30 or under

16% were school-aged children

14% were seeking employment

A RESPONSIBLE BUSINESS

A RESPONSIBLE BUSINESS

We are committed to reducing the impact we have on the environment around us.

We continue to make business improvements across the Group to become a greener business.

GREEN INITIATIVES

We know that we can help to create a better world for our people, our learners and our clients by reducing the impact we have on our planet.

As a Group we started monitoring and reporting on our environmental impact and initiatives in 2018 and we continue to make positive change to protect our environment through green initiatives across our business.

This year we were re-accredited to ISO 14001 for our effective environmental management system. This is important external validation of our environmental commitment and credentials.

Our **'Don't Bin A Good Thing'** initiative, introduced in 2019, has been extended to all of our centres. We no longer supply disposable paper cups to employees or visitors to our centres, they are instead provided a reusable bamboo cup and we have installed washing stations for these to make them easy to reuse. In the last 12 months this has resulted in an estimated **reduction of over 500,000 disposable paper cups going to landfill**.

Following the success of this initiative and the significant reduction in landfill waste, at the start of 2020 we rolled out the same approach for water machines by removing all plastic water cups. This has been introduced in all employee-only centres, **saving an initial 50,000 plastic cups from landfill**. We aim to implement this change across all of our centres over the coming year.

Our recycling initiative continues to have a positive impact of on the environment. 100% of our centres now operate with multi-recycling bins, which have collectively **saved over 1,000 trees and over 150 square metres of landfill in the last 12 months**.

We also stopped issuing single-use plastic pens from our centres. Employees and visitors are now provided with pens made of recycled materials.

Digital first is our mind-set. This year we've invested in extra laptops for use in our centres, giving our learners access to digital courseware. We previously printed a lot of this material and so the initiative has **saved 185 square metres of landfill waste.**

2020 saw us merge three of our London-based centres which has reduced our operational footprint – allowing us to influence and track our energy usage more effectively.

Carbon Reporting

We have produced our first carbon report in accordance with the SECR guidelines. As the energy intensity is low, there is no risk to our operations from climate change. However, we continue to drive down the use of energy within our business, reflecting our responsibility to the environment. In subsequent years we will report comparitives enabling us to track our progress in reducing our impact on the environment.

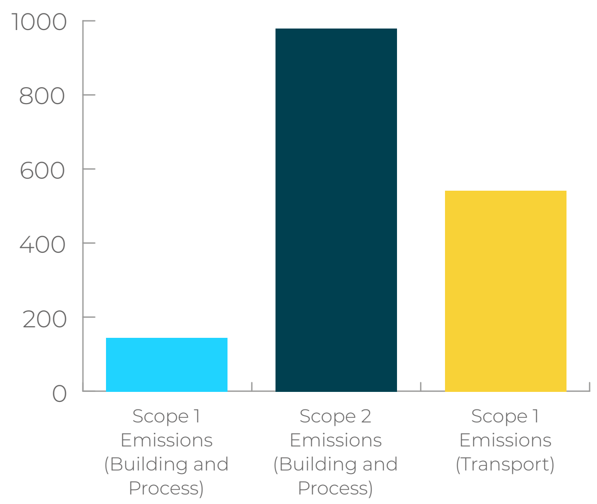
During the year we have installed motion sensors in our properties to turn off lights. We have reduced travel and paper waste for delivered courses. Further, we have implemented sustainability policies at all of our venues.

We are proud to say we achieved 97.2% verifiable data coverage, with 2.8% of consumption data estimated to achieve 100% data coverage.

Our Scope 1 direct emissions (combustion of natural gas and transportation fuels) for this first year of reporting are 688 tCO_2e, resulting from the direct combustion of 3,060 MWh of fuel.

Scope 2 indirect emissions (purchased electricity) for this first year of reporting are 978 tCO_2e, resulting from the consumption of 3,827 MWh of electricity purchased and consumed in day to day business operations.

Our operations have an intensity metric of 4.6 $kgCO_2e$ per ft^2 for this reporting year.



UTILITY AND SCOPE	FY20 UK CONSUMPTION MWh	FY20 UK CONSUMPTION tCO_2e
Grid-Supplied Electricity (Scope 2)	3,827	978
Gaseous and other fuels (Scope 1)	794	146
Transportation	2,265	542
Total	**6,886**	**1,666**

Reporting Methodology

Scope 1 and 2 consumption and CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published emissions factors for gross calorific value, relevant for the reporting year.

For properties where QA is indirectly responsible for utilities (i.e. via a landlord or service charge), an average consumption based on MWh per ft_2 was calculated at meter level and applied to the properties with no available data.

These full year estimations were applied to two electricity supplies for the Group.

Intensity metrics have been calculated utilising the FY20 reportable figures for the following metrics, and tCO_2e for both individual sources and total emissions were then divided by this figure to determine the tCO_2e per metric:

- ft^2 occupied floor area 361,000

THE WAY WE DO BUSINESS

Our business relies on strong partnerships.

We are fully committed to operating in an ethical and an environmentally and socially responsible way. This starts with our people and can be seen through the way we do business with our suppliers and their supply chains.

As a responsible employer, the Group operates in accordance with all applicable human rights laws and respects and promotes human rights through our employment policies and practices, through our supply chain and through the responsible provision of our products and services.

We regularly conduct our human rights risk assessment across the Group and we stand by our zero-tolerance approach to modern-day slavery and human trafficking. We maintain policies which clearly set out our expectations for upholding human rights and take steps to ensure there is no modern-day slavery in our business or supply chains.

We take data protection governance seriously and are committed to protecting the data and privacy of everyone. This extends to how we work with our suppliers, clients and employees - ensuring information is secure and personal data is controlled and processed, where applicable, in line with data protection laws.

Equal opportunities employer

We believe everyone should be able to be themselves at work. We work to promote and ensure equal opportunities for all our employees and job applicants irrespective of race (including colour, nationality, ethnic and national origins), religion, belief, gender, marital or civil partnership status, sex or sexual orientation or age.

The Group values the individual contribution of all its employees and prospective employees from all sectors of the community. We recognise our social and moral duty to employ people with disabilities and applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicants concerned.

In the event of an employee becoming disabled every effort is made to ensure that their employment within the Group continues and that 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.

Our commitment to the gender pay gap

While we navigated the unprecedented uncertainty brought on by the coronavirus outbreak we decided to accept the government's offer of not having to submit our gender pay gap reporting (2019 reporting is set out in the table below).

Despite this decision we continue to tackle the gender pay gap - both within our own business units and in our industry. We are working hard to create a diverse and gender-balanced workforce. We have introduced more flexible working opportunities and continue to utilise our partnerships (e.g. WorkingMums.com, Women in Technology and the Technology Talent Charter), in order to promote and market our roles through specific channels to attract a more diverse workforce.

2020	MEN	WOMEN	TOTAL
Executive Leadership (exc. Non-Executive Directors)	7	1	8
Managers	169	148	317
Employees (inc. Managers)	1,229	1,026	2,255*

QA Employee Gender Breakdown

*This figure includes all full and part time employees as at 31 May 2020.

2019	MEDIAN	MEAN	FINDINGS
Hourly Pay Gap	13.3%	15.5%	This means **women earn 87p for every £1** that men earn when comparing median hourly wages.
Bonus Pay Gap	47%	17%	This means **women earn 53p for every £1** that men earn when comparing median bonus pay. 54% of women received a bonus compared to 47% of men.

COMMUNITY INVESTMENT

The impact our learning has on society is vast and we also like to give back to local communities.

In addition to our annual charity partnership, our people love to support charities and organisations close to their heart and we encourage them to do this as much as possible.

ANNUAL CHARITY PARTNERSHIP

It's important to us and our people to support local communities – especially those near to where we live and work. Our people also love to support charities close to their heart and causes that make a real long-lasting difference.

This year we continued to help a wide range of charities and good causes through:

- **Charity partnership**
- **Volunteering and fundraising**
- **Community support and investment**

Charity partnership

Over the last year our people have been fundraising to support our charity partner Coram Beanstalk – a national literacy charity for young children.

This is a significant partnership for the Group, due to the nature of its work and the link to what QA do. Children's literacy skills have a direct connection to social mobility and future career success – if you fall behind learning to read, you never catch up. We, like Coram Beanstalk, recognise that this is a huge penalty for such a simple thing to solve. Our work with Coram Beanstalk means we have a lasting impact on the next generation of workers and society: eliminating poor academic performance, improving qualifications and increasing career opportunities to secure higher earnings and overall a better standard of living.

For the first time the annual charity partnership brings together volunteering and fundraising.

Volunteering and fundraising

Through the year-long fundraising and volunteering calendar, including a team of runners taking part in the Royal Parks Half Marathon and lockdown-fundraisers through the national 2.6 Challenge, the Group raised £21,000 for Coram Beanstalk. To help us achieve this, our charity champions – made up of employee volunteers – drive regional and local activities in every one of our centres.

Our people are encouraged to invest their time in local schools, reading to children to help improve their literacy. This is in addition to the existing two days a year volunteering benefit.

All employees can boost their fundraising efforts through our charity matching scheme – matching pound for pound the amount raised up to £250 per employee for a charity or good cause of their choice.

Given our UK coverage, in particular our footprint in London, we were able to provide Coram Beanstalk with event space needed for training volunteers.

"I used my two charity days to support Well Child. We spent the time building a garden for a ill child to make their life a little better - and for their family. Fundraising is important, but the charity days given by QA allows me to give my time which makes a big difference. It was hard work and emotional but it was also a good way to incorporate team building"

Jahmal Lake, Sales Manager

Hiring event space can be expensive, especially in London, therefore as part of the partnership, we provided meeting rooms and event space free of charge, allowing the charity to carry out its vital work in tackling the literacy skills gap to enable a future skilled workforce.

Community support and investment

We continue to support and invest in our local communities through the donation of technology and furnishings. We also support further afield through our partnership with Camara Education. In the last 4 years we've donated over 1,000 monitors and 500 desktops – **providing vital IT equipment for schools in Africa**.

National fundraising events are also very popular and well supported by our people. This year we supported Literacy Day, Macmillan Coffee Morning, Children in Need and the Poppy Appeal.

Our Swindon office pulled out all the stops for our 80's themed charity day.

Our work with Coram Beanstalk has been a point of pride for QA.

FINANCIAL REPORT

FINANCIAL
REPORT

CFO STATEMENT

NATHAN RUNNICLES

QA is the UK's leading technology, talent and training organisation with services spanning corporate learning to vocational and higher education.

We offer courses in technical IT, project management, IT service management, business systems development, business applications, leadership, management and business skills training, along with specialist areas such as cyber security.

Training takes place across our learning centres throughout the UK and via digital learning methods, such as video-based learning or virtual classrooms where participants can join live and interactive sessions online.

Cloud Academy, is QA's leading enterprise digital skills development platform that provides guided learning paths, hands-on labs, and skills assessments to deliver role-specific training on leading clouds (AWS, Azure, Google Cloud Platform), essential methodologies needed to operate on and between clouds (DevOps, security), and capabilities that are unlocked by the cloud such as big data and machine learning.

Beyond training, we offer our clients consulting services where we recruit predominantly university graduates who then undergo a multi-month training programme at our academy to develop their skills in in-demand technologies. After graduating from the academy, they are deployed to work within the IT teams of public and private sector organisations to support complex projects and provide solutions to business problems.

In vocational education we work with employers throughout the UK to provide apprenticeship programmes leading to technical and business skills qualifications. We specialise in courses aligned to the core skillsets required by technology businesses and IT departments with programmes designed to help apprentices move up the career ladder by advancing their technology skills.

In Higher Education we offer, through our University partnerships, degree courses to domestic and international students at our campuses in London, Birmingham and Manchester. We deliver industry-focused IT and business courses, ranging from foundation programmes through to post graduate degrees, that focus on developing key employability skills

GROUP STRUCTURE

On 23 June 2017 Ichnaea Jersey Topco Limited ("Ichnaea"), the top Company in the QA Group's organisational structure, was acquired by IndigoCyan

> **"Actions taken in the year to manage costs and cash, have allowed the Group to continue investing in its growth plans despite the near-term impact of Covid"**

GROUP STRUCTURE (CONTINUED)

HoldCo 3 Limited ("IndigoCyan" or "Group"), a Jersey entity, owned by funds managed and advised by CVC Capital Partners (CVC), a private equity firm, alongside QA's management team and employees. On 7 June 2019 the Group acquired 100% of Cloud Academy Inc.

The accounting reference period of the Group is 31 May. The diagram to the right sets out a summary Group structure. The subsidiaries and associated undertakings affecting the profit or net assets of the Group in the year are all listed in Note 2 of the Parent Company financial statements.

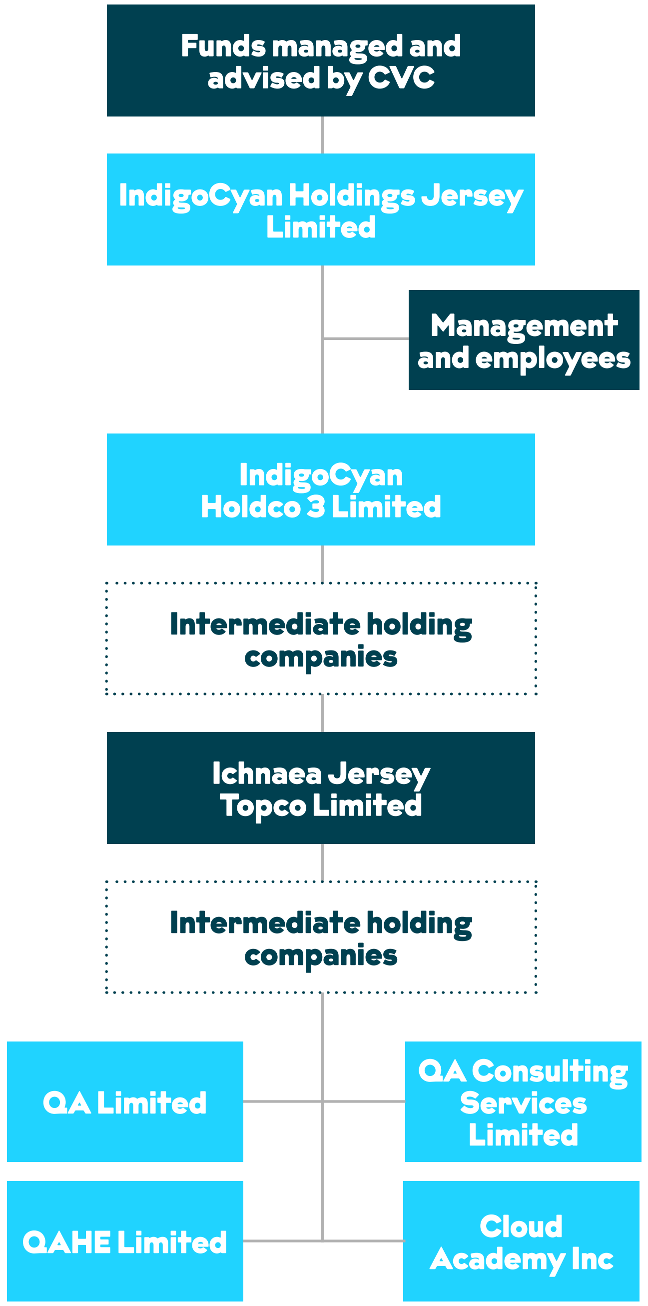
TRADING PERFORMANCE

Table 1 on page 50 sets out the Group's summary income statement for the year ended 31 May 2020 and compares it to the year ended 31 May 2019.

The reconciliation of Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), a non-IFRS measure, to the loss for the year, is set out in Table 3 on page 52.

The Group's full year revenue decreased by 3% to £270.6m (2019: £279.6m).

Since late March 2020, the Group's trading has been impacted by the outbreak of the Covid pandemic which has resulted in lower demand for our Learning and Apprenticeships' services, as our clients themselves respond to the impact of the pandemic on their own operations. As the lockdown led to the closure of our training centres, the Group successfully migrated its training and degree courses, together with its apprenticeship and academy programmes to virtual delivery to maintain services for its clients and learners. Details of the Group's response to Covid is set out on page 16.



FINANCIAL REPORT

TRADING PERFORMANCE (CONTINUED)

Learning saw revenues decline in the year as market uncertainty due to Brexit and then the UK election impacted trading before Covid triggered lower activity during lockdown.

Across the rest of the Group's activities there was strong revenue performance in Higher Education through international student growth where the average number of students grew significantly.

The strategic decision to focus on technology programmes in Apprenticeships and discontinue a number of non-technology programmes, reduced new learner intakes and revenues in the year.

Consulting saw the average number of deployed consultants dip on prior year as contracts expired. An improved second half performance, despite the lockdown, saw the year end positively with a growing pipeline of opportunities and deployed consultants now ahead of the prior year.

Gross profit decreased by 4% to £134.7m reflecting the revenue performance, with the gross margin percentage held in line with the prior year.

Operating expenses (being administration expenses before exceptional items and amortisation of acquired intangibles) increased to £95.7m (2019: £86.4m) reflecting the Group's continued investment in people and training facilities to support Higher Education growth and the investment in digital with Cloud Academy. Our average headcount (including trainers, tutors and coaches which are reported within Cost of sales) increased to 2,132 in 2020 (2019: 2,001).

Adjusted EBITDA for the full year decreased 21% to £53.0m (2019: £67.5m) with an Adjusted EBITDA margin of 19.6% (2019: 24.1%).

The Group undertook a review of it's operations following the outbreak of Covid to ensure the right structure was in place going forward for the new market environment. This led to a consultation process being announced in May 2020 leading to a reduction of c350 staff at a one-off cost of £3.7m, included in exceptional items.

KEY PERFORMANCE INDICATORS

Table 2 sets out the key performance indicators measuring the financial and operational performance of the Group. We define free cash flow as Adjusted EBITDA less the working capital movement, lease rental payments, tax payments and capital expenditure.

The Learners served by the business were 293,000 benefiting from the acquisition of Cloud Academy.

We generated free cash flow of £52.6m (2019: £46.4m), benefitting from the working capital movements set out on page 53.

ADJUSTING ITEMS

Table 3 on the following page sets out the reconciliation of Adjusted EBITDA and the loss before taxation. Our Adjusted EBITDA is defined as the profit/(loss) for the year before the tax on profit/(losses) on ordinary activities, net interest payable and similar charges, amortisation, depreciation and exceptional items.

Adjusted EBITDA is not a measure of financial performance under IFRS but is presented because we believe it is a relevant measure for assessing our performance, as it adjusts for certain items which we believe are not indicative of our underlying operating performance.

Table 1 : Financials

£'M	2020	2019
Revenue	270.6	279.6
Gross profit	134.7	140.4
Operating expenses	95.7	86.4
Adjusted EBITDA	53.0	67.5
Loss before tax	(151.6)	(149.7)

ADJUSTING ITEMS (CONTINUED)

Exceptional costs in the year primarily relate to the impairment of goodwill for Learning along with restructuring costs that have arisen due to Covid (page 17), costs to implement changes to the Group's Executive leadership team, expenses arising from strategic reviews initiated by new leadership and the resulting investments to implement operational improvements and support digital transformation activities (see Note 4).

As the Group has adopted IFRS 16, we present Adjusted EBITDA before deducting both the lease depreciation and lease interest expenses of £6.8m (2019: £6.0m) and £2.1m (2019: £2.0m) respectively in the year.

REPORTED RESULTS

On a reported basis for the year ended 31 May 2020, as set out on page 62, the Group had revenues of £270.6m (2019: £279.6m) with an operating loss of £82.8m (2019: loss of £85.2m).

The loss before tax for the year is arrived at after deducting net finance costs of £68.8m (2019: £64.5m), attributable to the Group's senior credit facilities of £320.0m, it's Revolving Credit Facility (£65m drawn in March 2020 as a result of Covid), and shareholder loan notes of £483.8m at year end (2019: £438.2m).

The loss before tax and after tax for the year was £151.6m and £150.1m respectively (2019: £149.7m and £152.1m). This was impacted by impairment expense for the Learning cash generating unit ("CGU") totalling £74.2m (2019: £109.8m for Apprenticeships and Consulting).

The impairment recognised follows revisions to the forecast profitability for Learning due to the impact of Covid on the economic outlook for Learning's operations. The impairment reflects Learning's current assessment of the economic recovery from Covid given the significant trading uncertainty from market conditions at the present time. Impairments have not been required for the other CGUs.

The financial position of the Group is presented in the balance sheet on page 63 with a net liability of £348.6m (2019: £200.2m) at year end. The net liability has arisen due to shareholder loans of £483.8m (2019: £438.2m), inclusive of the interest accruing on them, coupled with the impairment charge of £74.2m (2019: £109.8m). Under the terms of the shareholder agreement, the shareholder loan and accrued interest is not repayable until the loan redemption date of June 2047 or change in control of the Group.

Total assets at 31 May 2020 were £719.0m (2019: £728.0m) comprising intangible assets of £508.0m (2019: £587.4m), property, plant and equipment of £63.6m (2019: £48.9m), other non-current assets of £1.9m (2019: £1.9m) and current assets, including cash, of £145.5m (2019: £89.8m).

The decrease in the assets of the Group has arisen due to the impairment charge against goodwill of £74.2m offsetting the increase in cash following the £65.0m draw down of the Revolving Credit Facility. Total liabilities at 31 May 2020 were £1,067.6m (2019: £928.2m) comprising bank borrowings of £385.0m (2019: £320.0m), other non-current liabilities (including shareholder loans and accrued interest) of £569.9m (2019: £504.1m) and other current liabilities of £112.7m (2019: £104.1m). The Group's borrowings increased as the revolving credit facility of £65.0m was drawn in full during the year which resulted in the increase in current liabilities.

Table 2 : Key performance indicators

	2020	2019	2018*
Revenue growth (%)	(3.2)	10.4	16.5
Adjusted EBITDA (£'m)	53.0	67.5	61.4
Free cash flow (£'m)	52.6	46.4	43.1
Learners (No.'000)	293	266	278

*Unaudited - includes the unaudited period from 1 June 2017 to 23 June 2017 when the Group was acquired

FINANCIAL REPORT

CAPITAL RESOURCES

Our primary sources of liquidity consist of cash generated from operating activities, which amounted to £60.9m (2019: £61.7m) in the year ended 31 May 2020, and drawings under the £65.0m Revolving Credit Facility, which was fully drawn at the balance sheet date to maximise available liquidity during and after lockdown. As a further precaution, the Group obtained a waiver to 31 May 2021 on its financial leverage covenant (the ratio of third party bank debt to EBITDA) and has agreed to a minimum liquidity covenant of £20.0m in its place. The waiver was obtained to provide the Group with greater flexibility as the economy recovers from Covid.

We believe that these sources of funding will be sufficient to fund our debt servicing requirements as they become due, and meet our working capital requirements for the next 12 months from the date of approval of these financial statements. Our ability to generate positive cash flow from operations will depend on our future performance which are driven by various factors across the Group's activities.

NET CASH FLOW

Net cash inflow from operating activities was £60.9m (2019: £61.7m) in the year ended 31 May 2020.

The reduction in cash generation has been driven by the reduction in Adjusted EBITDA, offset by a working capital inflow.

FINANCING FACILITIES

In June 2017 the Group entered into a senior credit facility of £320.0m with a maturity date of June 2024.

Interest is set at three month GBP LIBOR plus a margin of 4.75%. The Group has fixed the interest rate (through an interest rate derivative contract) on £200.0m of the debt at a rate of 6.25%. Interest is paid on a biannual basis.

In June 2017 the Group entered into the Revolving Credit Facility agreement, with a maturity date of December 2023, which provides £65.0m of committed financing, all of which can be drawn by way of loans or ancillary facilities. The Revolving Credit Facility was fully drawn at the balance sheet date (2019: £nil). The Group obtained a waiver to 31 May 2021 on its financial leverage covenant (the ratio of third party bank debt to EBITDA) and has agreed to a minimum £20.0m liquidity covenant in its place.

The facility may be utilised for general corporate use, including the working capital needs of the Group, and acquisition. The facility bears interest at a rate per annum equal to GBP LIBOR plus a current margin of 3.5% which is subject to 6 monthly revision depending on the Group's leverage ratio.

A commitment fee is payable in arrears on the last day of each quarter on available but unused commitment under the facility at a rate of 1.2% of the applicable margin under the facility.

Table 3 : Adjusting items

£'M	YEAR ENDED 31 MAY 2020	YEAR ENDED 31 MAY 2019	YEAR ENDED 1 JUNE 2018*
Adjusted EBITDA	**53.0**	**67.5**	**61.4**
Depreciation and amortisation^	(42.5)	(39.5)	(35.1)
Impairment	(74.2)	(109.8)	-
Exceptional costs	(18.6)	(2.8)	(2.8)
Finance income	0.4	-	0.1
Finance cost	(69.2)	(64.5)	(58.2)
Share based payment cost	(0.5)	(0.6)	(0.2)
Loss for the for year before taxation	**(151.6)**	**(149.7)**	**(34.8)**

*Unaudited - includes the unaudited period from 1 June 2017 to 23 June 2017 when the Group was acquired

^Excluding exceptional depreciation of £1.6m

WORKING CAPITAL

Seasonality in the Group's activities has a material impact on working capital requirements during the year. The business typically sees an increased working capital need as activity builds after the summer months into the key trading period prior to December, and again after the Christmas holiday season through spring.

Movements in net working capital are primarily driven by debtors and deferred income, in particular in our learning and higher education activities where there is a significant level of advance billing for training and course fees, and also in accrued income due to billing the Education and Skills Funding Agency in arrears for apprenticeships training funded by the levy. All other components of working capital are relatively stable, however the market downturn triggered by Covid has seen the Group's working capital reduce creating a working capital inflow for the year. This is primarily due to a £6.9m reduction in the Group's trade receivables as a result of lower trading levels in the final quarter together with deferred payments to HMRC of £9.0m in respect of its PAYE/NI/VAT liabilities. Although the Group's days sales outstanding (see note 15) at 40 days has increased due to Covid, this reflects an increase in the time it is taking client's to pay and to date, there has been no material increase in bad debt expense since March.

MATERIAL CONTRACTUAL COMMITMENTS

Table 4 below, sets out the contractual commitments at 31 May 2020 that are expected to have an impact on liquidity and cash flow in future years. The table excludes any future interest payments on our senior debt facility and also further utilisation of amounts under the Revolving Credit Facility if it was required.

The information presented in this table reflects management's estimates of the contractual payment streams of our current obligations, which may differ from the actual payments made under these obligations.

MANAGEMENT OF FINANCIAL RISKS

The Group's activities expose it to a number of risks and uncertainties which include credit and liquidity risks.

CREDIT RISK

The Group's principal financial assets are bank balances and trade debtors. The Group's credit risk is primarily attributable to its trade debtors.

Management continually reviews outstanding receivables and debtor recovery plans together with credit limits across our customers. The amounts presented in the balance sheet are net of provision for doubtful debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Table 4 : Material Contractual Commitments

£'M	LESS THAN 1 YEAR	MORE THAN 1 YEAR	TOTAL
Senior debt facility	-	320.0	320.0
Revolving credit facility	65.0	-	65.0
Lease commitments *	6.8	45.2	52.0
Total	**71.8**	**365.2**	**437.0**

*Relates to lease costs for the Group's training centres and corporate offices.

FINANCIAL REPORT

MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

LIQUIDITY RISK

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Group operates a centralised treasury function, features of which include intercompany cash transfers and management of lease contracts.

The Group has sufficient funds through existing cash balances, free cash flow and, where needed, the Revolving Credit Facility, to service the annual cost of its financing and meet its other business needs. The Group enters derivative contracts to mitigate exchange and interest rate risk. The Group does not use derivative financial instruments for speculative purposes. Notes 16 and 18 set out information in respect of the Group's leverage position. During the year the Group obtained a waiver from its financial covenant to May 2021 to provide the Group with flexibility as the global economy recovers from Covid.

APPROACH TO RISK

The Board has overall responsibility for ensuring risk is effectively managed across the Group, with a focus on evaluating the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives – its 'risk appetite'. The Board maintains direct control over the approach to risk management and the procedures for the identification, assessment, management, mitigation and reporting of risks. The Audit Committee takes responsibility for overseeing the effectiveness of risk management and internal control systems

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IDENTIFYING AND MONITORING OF RISKS

The Group has recently developed its Risk Register. The Executive Team use the Risk Register as its principal tool for monitoring and reporting risk. The register details the Group's risks, the impact of each risk, the likelihood of that risk occurring, the strength of the mitigating controls in place. Input is obtained from all areas of the business, including support functions, as appropriate.

PRINCIPAL RISKS AND UNCERTAINTIES

In addition to the financial risks discussed, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

1. Business transformation and change
2. Competitive risk
3. Compliance risk
4. Changes in government funding/regulation
5. Data governance, security, infrastructure and systems

In addition given recent events, "Pandemic risk" has been added as a principal risk.

Business transformation and change ⇑

The Group's transformation activities have proceeded at pace which increase both the execution risk and the business's ability to cope with the level of change.

Alongside digital transformation, the Group has undertaken right-sizing activities in certain parts of the business.

To ensure these activities are effectively managed the Group has invested in specialist resources, in the form of external advisors and supplementing internal teams with experienced external contractors.

Competitive risk ⇑

The Group operates in a fragmented and competitive marketplace. The Group is subject to pricing pressure both from traditional classroom based learning providers and through digital-only learning channels.

Each year we invest in refreshing existing courses and adding new ones to ensure our portfolio remains topical and has the breadth to meet changing client needs. We regularly assess pricing to stay competitive in our markets.

Furthermore the Group is investing in its digital products to ensure that we are differentiated in the market. Capital expenditure on product and content increased to £7.0m (2019: £2.3m) in the last year with significant investment in Apprenticeships and Learning in part driven by the acquisition of Cloud Academy. The Group expects to increase this commitment in the coming year to support digital growth initiatives.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Compliance risk ⇔

There are a variety of risks that can cause harm to our people, assets and reputation which continue to evolve as our Group does. The Group has invested in upskilling our compliance teams, performed process reviews, identified areas for improvement and implemented action plans to manage compliance risk across the businesses.

During the year the Group was rated as good by Ofsted following its inspection of our Apprenticeships business. In Higher Education we have implemented a new Student Information System, as well as the launch of a new Future Students and Learners Committee to facilitate best practice and increase focus on CMA compliance. Where actions are identified following an audit the Group puts in place action plans to improve the control environment.

Our Higher Education business has maintained its external quality accreditations with the British Council and British Accreditation Council, as well as partner specific accreditations with the Quality Assurance Agency (Ulster University).

Our Health and Safety team are in the process of gaining accreditation for the new Health and Safety standard ISO45001. Processes are now in place but certification has been delayed until early 2021 due to Covid. We are pleased to report that the Group has had no reportable incidents under RIDDOR throughout the year.

Changes in government funding/regulation ⇑

The Group has significant contracts with government bodies and receives significant funding from UK government through its apprenticeship programmes and indirectly through the Higher Education Funding Council for England. As such changes to government funding could have a material impact on the Group's operations such as a future change in government policy towards funding for apprenticeships that disrupts demand for apprenticeship training.

The Group has sought to contribute to discussions with the UK Government and its advisors over appropriate training schemes to support the UK economy's recovery post Covid. The government launched an additional incentive scheme for employers in August 2020. The scheme pays employers an incentive for recruiting apprentices between 1 August 2020 and 31 January 2020. This incentive plan has the potential to increase demand for QA apprentices during this period.

Management is continuing to monitor market developments in light of the outcome of the UK's decision to leave the European Union ('Brexit'). We are not aware of any immediate direct consequences that will impact the Group's performance, given the Group's clients and suppliers are almost entirely outside of the EU. However the negative economic implications for the UK economy (in addition to Covid) of a no-deal Brexit could further delay the financial recovery of the Group to pre-Covid trading levels and limit future growth.

For our Higher Education students from the EU that are already on, or who will start new undergraduate or postgraduate courses in the academic year ending July 2021, the current funding arrangements have been confirmed as remaining in place for the full duration of their multi-year courses.

Data governance, security, infrastructure and systems ⇔

Major IT system integrity issues or data security issues, either due to internal or external factors, could result in: actual financial loss of funds; potential loss of sensitive data with risk of litigation; loss of customer confidence; and damage to our reputation.

The Group's technology team has been working internally and with external providers across a number of system and data integrity projects. These include upgrading our Apprenticeship systems and services to meet the requirements of the National Cyber Security Centre IT Health Check (CHECK). The CHECK standard aims to provide assurance that an organisation's external and internal systems are protected from unauthorised access or change, therefore helping to ensure the confidentiality, integrity or availability of information held on their IT systems. In addition we have been recertified for ISO27001 which is the international standard

Increased Risk ⇑ No Change In Risk ⇔ Reduced Risk ⇓

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

for managing information security and also Cyber Essentials Plus (the default standard which aims to help organisations guard against the most common cyber-attacks). We have also continued our range of BAU activities covering areas such as system access review audits.

Pandemic risk

A global pandemic or other health emergency can result in restrictions on travel, access to property and reductions in GDP impacting demand for the Group's products and services. As experienced with Covid, the Group has seen lower demand for training and apprenticeship services due to Corporates reducing near-term investment in talent development and acquisition. Whilst difficult to influence demand when clients cut spending plans as part of their own response to a pandemic's impact on their business, the Group will continue to invest in its products to ensure continuity of market-leading services at all times.

As the lockdown led to the closure of our training centres, the Group successfully migrated its training and degree courses, together with its apprenticeship and academy programmes to virtual delivery. Given the positive feedback from many learners during lockdown it is likely that an element of historic demand will remain virtual and not return to the classroom. As a result the Group will continue to invest in its virtual learning products to ensure that the proposition and experience evolves to best-fit a remote learning delivery model.

The acquisition of, and continued investment in Cloud Academy's digital first proposition, provides the Group with a self-paced learning alternative to instructor-led classroom training. Digital learning is expected to become an increasingly attractive proposition post-Covid, and the Group is well-placed to take advantage of this market trend through Cloud Academy and other digital initiatives.

DIRECTORS REPORT

The Directors present their Annual Report and the audited consolidated financial statements of the Group and the Company for the year ended 31 May 2020.

DIRECTORS

The Company was incorporated on 12 May 2017 under Jersey law. The Directors of the Company who were in office during the year and up to the date of signing the financial statements are as follows:

John Cosnett

David Wells

Richard Blackburn

William Macpherson (Resigned 2 September 2019)

Sir Charlie Mayfield

Nathan Runnicles

Johanna Karhukorpi

Paul Geddes (Appointed 2 September 2019)

William stepped down as CEO in September 2019 becoming a non-exec Director of the Group. He stepped down from this role in May 2020.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 May 2020 (2019: nil).

POLITICAL DONATIONS

The Group did not make any political donations during the year (2019: nil).

SUPPLIER PAYMENT POLICY

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Trade creditors of the Group at 31 May 2020 were equivalent to 24 days' purchases (2019: 34 days), based on the average daily amount of invoices owed to suppliers during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business are set out in the CFO Statement on page 54.

DIRECTORS REPORT (CONTINUED)

DIRECTORS AND OFFICERS INDEMNITY

The Group maintains liability insurance for its Directors and Officers and had this in place throughout the year and up to the date of the signing the financial statements.

SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Government has announced further restrictions on the UK and as part of this has announced further support for businesses, including the deferral of VAT payments. There have been no further subsequent events to the balance sheet date.

GOING CONCERN

Since late March 2020, the Group's trading has been impacted by the outbreak of the Covid pandemic which resulted in lower demand for our learning and apprenticeships' services, as our clients themselves responded to the impact of the pandemic on their own operations. The lockdown initially led to the closure of our training centres and the migration of all classroom-based learning to virtual delivery. The Group has taken cost reduction measures to help mitigate the effects of lockdown on the economy, together with working capital actions to preserve cash.

The forecasting process undertaken by the Directors recognises the inherent uncertainty associated with predictions at the present time. Whilst the Directors believe that trading performance will remain robust, the Directors have assessed various scenarios, which consider the speed of economic recovery and demand for the Group's services. The Directors consider the most significant uncertainty impacting the forecasts is the possibility of further lockdowns. As such, the Directors have performed a reverse stress test to assess the impact on the Group's cashflow forecasts of a lockdown that does not end until September 2021. The Group has funding arrangements with its banks, which include drawn term loans and a £65.0m Revolving Credit Facility that was drawn in full in March 2020 to maximize the available liquidity.

The Group obtained a waiver (to 31 May 2021) on its financial leverage covenant (the ratio of third party bank debt to EBITDA) and have agreed to a minimum liquidity covenant of £20.0m in its place. The analysis confirmed the Group's current liquidity position and compliance with relevant covenants would enable the Group to operate in this scenario for a period of at least 12 months from the date of signing these financial statements.

On this basis, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing and approving these financial statements.

In making this assessment, the Directors have considered the cash flow forecasts of the Group, the availability of financial resources and facilities and compliance with covenants. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

STATEMENT BY THE DIRECTOR IN PERFORMANCE OF STATUTORY DUTIES IN ACCORDANCE WITH s172

As the Group's subsidiaries are primarily based in the UK we have also considered UK governance requirements in respect of s172 of Companies Act 2006 as well as applicable Jersey law.

Throughout this Annual Report, we provide examples of how we: take into account the likely consequences of long-term decisions; build relationships with stakeholders; understand the importance of engaging with our employees; understand the impact of our operations on the communities and the environment we depend upon; and attribute importance to behaving as a responsible business. The Board appreciates the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision-making.

The Board of Directors of IndigoCyan Holdco 3 Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) S172 Companies Act 2006, in the decisions taken during the year ended 31 May 2020.

The business implications of the Covid pandemic have been fast moving and uncertain but the

DIRECTORS REPORT (CONTINUED)

Directors consider that the decisions made will be in the best long-term interests all the Group's stakeholders.

We aim to act responsibly and fairly with our stakeholders and engage with them to gain an understanding of their needs.

Recognising the difficulty being experienced by many customers we have worked with them to reschedule courses and provide them with digital learning pathways so that they can continue to develop their talent during lockdown.

All management members of the Board volunteered a 15 per cent reduction to their salary for three months and those Directors with fees waived them for the same period. Importantly the Directors were thankful for over 1,000 of our people who also volunteered to participate in a 10% salary reduction.

We believe these actions are in line with our culture and the high standards of business conduct and good governance we set ourselves.

AUDITOR

Deloitte LLP has expressed its willingness to continue in office as auditor of the Group and Company and their reappointment has been approved by the Board.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing 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 applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing the Parent Company 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 Company will continue in business.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows.

This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all

circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, Directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

DIRECTORS REPORT (CONTINUED)

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WALKER GUIDELINES

The Directors consider the Annual Report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Signed on behalf of the Board of Directors by:

Nathan Runnicles
Director
28 September 2020

Independant Auditor's Report to the members of IndigoCyan HoldCo 3 Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2020 and of the Group's loss and the Parent Company's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- Have been properly prepared in accordance the Companies (Jersey) Law 1991.

We have audited the financial statements of IndigoCyan HoldCo 3 Limited (the “Parent Company”) and its subsidiaries (together the “Group”) which comprise:

- The consolidated income Statement and other Comprehensive Income;
- The consolidated and Parent Company Statements of Financial Position;
- The consolidated and Parent Company Statements of Changes in Equity;
- The Consolidated Cash Flow Statement; and
- The related notes 1 to 29 and Parent Company notes 1 to 7.

We have nothing to report in respect of these matters.

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 Financial Reporting Council's (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.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- The Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of Directors' responsibilities, 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 IndigoCyan Holdco 3 Limited 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 IndigoCyan Holdco 3 Limited or to cease operations, or have no realistic alternative but to do so.

Independant Auditor's Report to the members of IndigoCyan HoldCo 3 Limited (continued)

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. 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 respect of these matters.

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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Matters on which we are required to report by exception.

Under the Companies (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

- Proper accounting records have not been kept by the Parent Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Peter Saunders

Peter Saunders
For and on behalf of Deloitte LLP
London, United Kingdom
28 September 2020

Consolidated Income Statement and Other Comprehensive Income for the year ended 31 May 2020

	NOTE	BEFORE EXCEPTIONAL ITEMS 2020 £'M	EXCEPTIONAL ITEMS 2020 £'M	TOTAL 2020 £'M	BEFORE EXCEPTIONAL ITEMS 2019 £'M	EXCEPTIONAL ITEMS 2019 £'M	TOTAL 2019 £'M
Revenue	2	270.6	-	270.6	279.6	-	279.6
Cost of sales		(135.9)	-	(135.9)	(139.2)	-	(139.2)
Gross Profit		**134.7**	**-**	**134.7**	**140.4**	**-**	**140.4**
Administration expenses		(124.7)	(92.8)	(217.5)	(113.0)	(112.6)	(225.6)
Operating profit before amortisation of intangibles and exceptional items		39.0	-	39.0	54.0	-	54.0
Amortisation of acquired intangibles		(29.0)	-	(29.0)	(26.6)	-	(26.6)
Impairment of goodwill	4	-	(74.2)	(74.2)	-	(109.8)	(109.8)
Exceptional costs	4	-	(18.6)	(18.6)	-	(2.8)	(2.8)
Operating Profit / (Loss)	**3**	**10.0**	**(92.8)**	**(82.8)**	**27.4**	**(112.6)**	**(85.2)**
Finance income	6	0.4	-	0.4	-	-	-
Finance costs	6	(69.2)	-	(69.2)	(64.5)	-	(64.5)
Net finance costs		**(68.8)**	**-**	**(68.8)**	**(64.5)**	**-**	**(64.5)**
Loss Before Taxation		**(58.8)**	**(92.8)**	**(151.6)**	**(37.1)**	**(112.6)**	**(149.7)**
Taxation	7			1.5			(2.4)
Loss For The Year				**(150.1)**			**(152.1)**
Loss Attributable to:							
Owners of the Company				(150.1)			(152.1)
Non-controlling interests				-			-
				(150.1)			**(152.1)**
Other Comprehensive Income:							
Items that may be subsequently reclassified to profit or loss:							
Loss for the year				(150.1)			(152.1)
Exchange differences on translation of foreign operations				0.4			-
Total Comprehensive Loss for the Year				**(149.7)**			**(152.1)**
Profit Attributable to:							
Owners of the Company				(149.7)			(152.1)
Non-controlling interests				-			-
				(149.7)			**(152.1)**

Consolidated Statement of Financial Position as at 31 May 2020

	NOTE	2020 £'M	2019 £'M
Non-current assets			
Goodwill	9	273.2	338.0
Other intangible assets	12	234.8	249.4
Property, plant and equipment	13	63.6	48.9
Investment in associates	10	1.9	1.9
		573.5	**638.2**
Current assets			
Inventories	14	0.2	0.2
Trade and other receivables	15	38.0	53.2
Cash and cash equivalents	16	107.3	36.4
		145.5	**89.8**
Total Assets		**719.0**	**728.0**
Current liabilities			
Loan and borrowings	18	(71.8)	(9.7)
Derivative financial liabilities	20	(0.2)	(0.4)
Trade and other payables	17	(101.3)	(94.0)
Provision for liabilities	19	(4.4)	-
		(177.7)	**(104.1)**
Non-current liabilities			
Loan and borrowings	18	(842.9)	(778.1)
Provision for liabilities	19	(6.2)	(6.3)
Deferred tax	21	(40.8)	(39.7)
		(889.9)	**(824.1)**
Total Liabilities		**(1,067.6)**	**(928.2)**
Net Liabilities		**(348.6)**	**(200.2)**
Equity			
Share capital	22	1.0	1.0
Translation reserve		0.4	-
Share based payments reserve	22	1.3	0.8
Retained earnings	23	(351.3)	(201.3)
Equity attributable to owners of the Company		**(348.6)**	**(199.5)**
Non-controlling interests	23	-	(0.7)
Total Equity		**(348.6)**	**(200.2)**

The consolidated financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 28 September 2020.

Nathan Runnicles
Director

Consolidated Statement of Changes in Equity for the year ended 31 May 2020

	NOTE	SHARE CAPITAL £'M	TRANSLATION RESERVE £'M	SHARE BASED PAYMENTS RESERVE £'M	RETAINED EARNINGS £'M	ATTRIBUTABLE TO PARENT COMPANY £'M	NON-CONTROLLING INTEREST £'M	TOTAL EQUITY £'M
As at 1 June 2018		**1.0**	**-**	**0.2**	**(40.3)**	**(39.1)**	**3.4**	**(35.7)**
Purchase of non-controlling interest		-	-	-	(8.3)	(8.3)	(4.1)	(12.4)
Share based payment		-	-	0.6	-	0.6	-	0.6
Loss for Year		-	-	-	(152.7)	(152.7)	-	(152.7)
Other comprehensive income		-	-	-	-	-	-	-
Total Comprehensive Loss for the Year		**-**	**-**	**-**	**(152.7)**	**(152.7)**	**-**	**(152.7)**
As at 31 May 2019		**1.0**	**-**	**0.8**	**(201.3)**	**(199.5)**	**(0.7)**	**(200.2)**
Purchase of non-controlling interest	23	-	-	-	(0.7)	(0.7)	0.7	-
Share based payment		-	-	0.5	-	0.5	-	0.5
Loss for Year		-	-	-	(149.3)	(149.3)	-	(149.3)
Other comprehensive income		-	0.4	-	-	0.4	-	0.4
Total Comprehensive Loss for the Year		**-**	**0.4**	**-**	**(149.3)**	**(148.9)**	**-**	**(148.9)**
As at 31 May 2020		**1.0**	**0.4**	**1.3**	**(351.3)**	**(348.6)**	**-**	**(348.6)**

Consolidated Statement of Cash Flows for the year ended 31 May 2020

	NOTE	2020 £'M	2019 £'M
Net cash inflow from operating activities	**29**	**60.9**	**61.7**
Cash flows from financing activities			
Proceeds from additional debt		65.0	-
Repayment of debt		-	(10.0)
Repayment of lease liabilities		(6.3)	(7.4)
Purchase of non-controlling interest	23	-	(12.4)
Interest paid		(19.2)	(19.5)
Net cash inflow from financing activities		**39.5**	**(49.3)**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(15.6)	(8.4)
Acquisition of subsidiaries, net of cash acquired		(14.0)	(0.3)
Interest received		0.1	-
Net cash outflow from investing activities		**(29.5)**	**(8.7)**
Increase in cash and cash equivalents		**70.9**	**3.7**
Cash and cash equivalents, beginning of year		36.4	32.7
Cash and cash equivalents, end of year		**107.3**	**36.4**

1. ACCOUNTING POLICIES

GENERAL INFORMATION

IndigoCyan Holdco 3 Limited (the 'Company') is a private company limited by shares and domiciled in Jersey. The Company's registered office is at 27 Esplanade, St Helier, Jersey, JE1 1SG. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The nature of the Company's operations and its principal activities are set out in the Directors' Report.

The consolidated financial statements have been prepared under International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. These financial statements have been prepared under the historical cost convention except for the valuation of financial instruments that are measured at fair value.

The Group and Company financial statements are presented in Sterling (£) and all values are rounded to the nearest hundred thousand pounds (£0.1m) except where otherwise indicated.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up for the year ended 31 May.

Business combinations are accounted for under the acquisition method. Assets and liabilities of overseas operation are translated at the closing rate and the results of these businesses are translated at average exchange rates for inclusion in the Consolidated Income Statement. The acquisition date and the date from which the subsidiary is consolidated is the date the Group obtains control.

The financial results of subsidiaries used in preparation of the consolidated financial statements are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them are eliminated in full.

Profit or loss and each component of other comprehensive income (OCI) are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

BASIS OF ACCOUNTING

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 June 2020. The Group has elected not to adopt early these standards which are described below:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Definition of a Business (amendments to IFRS 3);
- Definition of Material (amendments to IAS1 and IAS 8);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Interest rate benchmark reform (amendments to IFRS 9 and IFRS 7); and
- Covid related rent concessions (amendment to IFRS 16).

The above are not expected to have a material impact on the financial statements. There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

During the year the Group has adopted the following amendments and interpretations which have not had a material affect on the financial statements.

- Annual improvements to IFRS standards 2015-2017 cycle;
- IFRIC 23 Uncertainty over income tax treatments;
- Long term interests in associates (amendments to IAS 28); and
- Prepayment features with a negative compensation (amendments to IFRS 9).

REVENUE RECOGNITION

The Group's main training activities consist of supplying learning services, providing courses in IT technical skills, project and service management, business applications and management and personal development to Corporate and Government customers with revenue streams arising from the training of apprenticeships, recruiting, training and

REVENUE RECOGNITION (CONTINUED)

deploying consultants, and the teaching of degrees in partnership with our University partners.

Revenue represents amounts receivable for services provided in the normal course of business together with non-refundable fees, exclusive of value added tax. The Group's principal activity is the provision of training courses and recognises revenue from rendering services upon delivery of training. The undelivered amount is included within deferred income and the majority is expected to be recognised within the next 12 months.

Revenue relating to the expected unused portion of training contracts is recognised over the term of the contract period. The estimation of the unused portion is updated annually. Third party revenues arising from services outsourced on behalf of customers are recognised gross where the Group is the principal in the arrangement with the associated risks and rewards flowing to the Group.

SKILLS LICENSES AND SUBSCRIPTIONS

Skills licenses sold to our training customers are typically 12 month non-cancellable licenses providing courses at pre-agreed rates that are pre-paid, and then drawn down by the customer as needed. Revenue is recognised upon the delivery of training, as the performance obligation is satisfied. Cloud Academy licenses are sold as 12 month non-cancellable license which allow the customer unrestricted use of the Cloud Academy platform over the license term. Revenue is recognised straight line over the license period.

The undelivered amount is included within deferred income and the majority is expected to be recognised within the next twelve months. The estimate of the unused portion at the end of a skills license is updated annually.

LEVY INCOME

The Group provides courses paid for through the Apprenticeship levy, with funding drawn from the relevant funding bodies in England and Scotland. The performance obligation is the provision of educational and training services to apprentices over a period of time and therefore revenue is recognised over time and differs from the cash funding profile from the funding body. For apprenticeships that require an End Point Assessment (being the final assessment to ensure an apprentice can do the job they are training for) this is treated as a separate performance obligation and the transaction price is allocated using the cost plus method. End Point Assessment revenue is recognised at a point in time, when the End Point Assessment has been successfully completed.

HIGHER EDUCATION

The Group provides educational programmes on a full or part time basis, including programmes leading to MSc and BSc designations to individuals. Programme revenue is recognised over the period of teaching, on a monthly basis in a straight line manner over time. For the provision of services, there is no significant judgement required to determine when the customer benefits from that service, as the benefits are received over the period of teaching at the same point in time as the revenue is recognised.

CONSULTING

There are two consulting services from which revenue is derived; Enable and Accelerate. For Enable, we recruit and train graduates looking for a technical role predominantly on a twelve to sixteen week training programme at our academy who are then deployed at customer sites to provide consulting services over a contract period of up to two years. Alongside our academy trained consultants we also employ senior contractors to assist in the provision of consulting services.

The customers receive benefits from the consultancy services provided as the Group, via the consultant or contractor, performs the service. Therefore the performance obligation is deemed to be satisfied over time. Customers are invoiced monthly on a time and materials basis.

Under the Accelerate programme we recruit and train graduates for a specific customer whereby the graduate would join the customer at the start or at the end of a training programme. We recognise revenue on Accelerate straight line over the period that the training is provided. In some cases the customer contracts include variable consideration. In this case the Group estimates the level of variable consideration that will be earned.

Notes to the consolidated financial statements for the year ended 31 May 2020

FINANCE INCOME AND FINANCE COSTS

Finance income comprises the interest income on external bank deposits which are recognised in the income statement in the year using the effective interest method.

Finance costs comprise the interest expense on external borrowings and shareholder loan which are recognised in the income statement (under the effective interest rate method) in the period in which they are incurred.

SHARE BASED PAYMENT ARRANGEMENTS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 22.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payments reserve.

GOVERNMENT GRANTS

Where the Group receives government grants this is netted against the associated costs which the grant is funding.

TAXATION

Taxation comprises current and deferred tax. It is recognised in the profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is valued at the prevailing rates at which it is expected to unwind.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials for the courseware that have been incurred in bringing the inventories to their present location and condition.

INVESTMENTS IN ASSOCIATES

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to the consolidated financial statements for the year ended 31 May 2020

GOODWILL

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on acquisition of subsidiaries, joint ventures and businesses is capitalised as an asset.

Goodwill is allocated to cash generating units and is subject to an annual impairment review, with any impairment losses being recognised immediately in the income statement. Goodwill is not amortised.

OTHER INTANGIBLE ASSETS

Initial recognition of other intangible assets

Customer relationships, tradenames and content and materials acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

Subsequent measurement

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives for the period are as follows:

- Customer relationships - 5 to 17 years;
- Tradename - 20 years; and
- Content and materials - 4 years.

Amortisation has been presented within administration expenses.

Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in "Impairment testing of goodwill, other intangible assets and property, plant and equipment" when there is an indicator of impairment.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment are measured at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates based on the following economic lives in order to write off the cost less estimated residual value of each asset over its estimated useful life.

- Short-term leasehold improvements - straight line over the life of the lease;
- Fixtures, fittings and equipment - straight line over 2 to 5 years; and
- Right of Use Asset - straight line over the length of the lease.

The Group has reclassified Software and Development costs from Property, Plant and Equipment to intangible assets.

IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units).

As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually in accordance with accounting standards (IAS 36). All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked

IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

to the Group's latest approved budget or forecast, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined for the cash-generating units and reflect current market assessments of the time value of money and asset-specific risk factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed (up to the original carrying value of the asset) if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Provisions include restructuring provisions which is the provision for expected redundancy payments. A provision has been recognised as the restructuring was announced to those impacted prior to the balance sheet date.

DILAPIDATIONS

Where the Group has a legal obligation to restore leased properties at the end of the lease term, a dilapidations provision is recognised and represents management's estimate of the present value of future cash flows.

The costs are recognised as an asset at inception of the lease and are included within leasehold improvements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Balances held with money market funds are presented as cash where their maturity is less than three months.

TRADE AND OTHER RECEIVABLES

Financial instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include trade and other receivables, bank balances and cash and loans to subsidiary undertakings, are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

PENSION COSTS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement in the period to which they relate.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2020

LEASES

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset of the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of property and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments; and
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as a the commencement date.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (assets that fall below the Group's capital equipment recognition policy), including IT equipment. The Group recognises the lease payments associated with these assets as an expense on a straight-line basis over the lease term.

FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss (FVTPL) are recognised immediately in profit or loss.

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss and is included in the "finance income" line item. The Group does not have any financial assets measured at fair value through other comprehensive income or FVTPL.

Impairment of financial assets

The Group recognised an ECL (Expected Credit Loss) for trade receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Credit losses are recognised as being the ECL within 12 months of the reporting date unless there has been a significant increase in credit risk, in which case lifetime credit losses are recognised.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, or 2) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in finance costs.

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. Fair value is determined in the manner described in note 25.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps. Details of derivative financial instruments are disclosed in note 20. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately.

GOING CONCERN

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Directors' report.

The Directors have considered the adoption of the going concern basis of preparation of these financial statements with consideration to the wider Group position and its business model as set out on page 57.

EXCEPTIONAL ITEMS

Exceptional items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results. Exceptional items are recognised in the income statement in the period they are incurred and are presented in the middle column of the income statement as their separate presentation enhances the understanding of the performance of the Group.

Items classified as exceptional are as follows:

Impairment charges

Impairment charges related to non-current assets are noncash items and tend to be significant in size. The presentation of these as exceptional items further enhances the understanding of the ongoing performance of the Group.

Strategic review and digital transformation

The Group has performed a strategic review following the change in CEO utilising management consultants including Bain to support in assessing the Group's strategic direction and developing processes to accelerate change through the Group. Costs may include consultancy, project management and other costs associated with changes in the structure including recruitment costs for the Executive leadership team. These one-off costs are significant in size and will not be incurred under the ongoing structure or operating model of the Group.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2020

EXCEPTIONAL ITEMS (CONTINUED)

The Group has commenced a digital transformation process to develop digital first products responding to changes in customer demand. The Group's digital transformation activities commenced during FY20 with the acquisition of Cloud Academy and are expected to continue in FY21. These costs are significant in size and will not be incurred under the ongoing structure or operating model of the Group.

Restructuring costs

Restructuring costs are classified as exceptional if they relate to a fundamental change in the organisational structure of the Group or a fundamental change in the operating model of a business within the Group. Costs may include redundancy, property closure costs and consultancy costs, which are significant in size and will not be incurred under the ongoing structure or operating model of the Group.

Covid

Covid has impacted the performance of the business in the year with the Group's properties closed since mid-March following the implementation of the UK Government enforced lockdown. Since this date the property costs for the Group have been presented as exceptional as the Group has been prevented from utilising these properties to generate revenue. In addition, the Group has incurred redundancy costs as the business undertook restructuring activities in response to the impact of Covid.

Apprenticeships funding, accounting and losses attributable to discontinued products

Operating results from business activities identified as non-core and in the process of being discontinued do not form part of the ongoing trading activities of the Group.

Costs related to acquisition

The Group has made a number of acquisitions over time. There are a number of specific costs relating to the terms of the acquisitions that are not related to ongoing trading activities and are recorded as exceptional items to provide a more comparable view of the businesses performance.

Other specific items

Other specific items (including property rental costs during periods where they are not used for operational purposes) are recorded in exceptional items where they do not form part of the underlying trading activities of the Group. Further details are provided in note 4.

RESEARCH AND DEVELOPMENT

These development costs, net of related research and development investment tax credits, are not amortised until the products or technologies are commercialised or when the asset is available for use, at which time, they are amortised over the estimated life of the commercial production of such products or technologies.

The amortisation method and the life of the commercial production are assessed annually and the assets are tested for impairment whenever an indication exists that an asset might be impaired.

During the year the Group has expended £0.8m (2019: £0.3m) of research and development expenditure.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 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 if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies

The judgements are as follows:

Going concern

There are significant judgements related to the impact that Covid will have on the UK and Global economy. The key judgement is the effect of changing econominc conditions on our customers, and how this impacts their demand for our products and services. Some of the sectors in which out customers operate have been significantly impacted by Covid and therefore, we expect to see divergence in their recovery.

As a result of Covid the outlook for the UK and global economy has changed significantly. The key judgements considered by the Directors are:

- Changing consumer behaviour and the extent of the move towards digital;
- Availability and extent of support through government measures;
- Availability, extent and timing of sources of cash/ finance; and
- Duration and impact of social distancing measures.

Further details of how the Directors have considered these are included on page 57.

Cash generating units

During the year the Group has made changes to its leadership team and undertaken a restructure of its operations. The Group considered whether this would result in changes to the Group's cash generating units and determined that given the ongoing focus on performance by product that no changes were required to the Group's existing cash generating units. There are no other significant judgments impacting the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual cash flows are less than expected, a material impairment loss may arise.

The Group's impairment test for goodwill and intangible assets with indefinite useful lives is determined through a value in use calculation based on a discounted cash flow model. The cash flows are derived from the Boards strategic plans and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. There is significant judgement and uncertainty impacting the future cash flow forecasts reflecting the impact of the Covid on the economic outlook.

The key assumption in the model is the operating cash flow growth rates. If they differ from forecast then this could result in a material difference to the impairment calculated. In addition, the model is sensitive to the discount rate. More detail is disclosed in note 9.

Notes to the consolidated financial statements for the year ended 31 May 2020

2. REVENUE

All revenue was derived from sales in the United Kingdom and the USA. Revenue in the USA resulted from the acquisition of Cloud Academy during the year. The Group's revenue is derived from the provision of services to customers.

	2020 £'M	2019 £'M
UK	265.3	279.6
USA	5.3	-
Total	**270.6**	**279.6**

3. OPERATING PROFIT

Operating profit is stated after charging:	NOTE	2020 £'M	2019 £'M
Depreciation - owned assets	13	6.1	6.6
Depreciation - right of use assets	13	6.8	6.0
Amortisation of intangibles	12	31.2	26.9
Training materials		8.4	7.8
Staff costs	5	112.2	99.6
Exceptional items	4	92.8	112.6
Research costs		0.8	0.3

The analysis of auditor's remuneration is as follows:	2020 £'M	2019 £'M
Audit of the Company*	-	-
Subsidiary audit fees	0.2	0.2
Total audit fees	**0.2**	**0.2**
Covenant compliance*	-	-
Total audit and assurance	**0.2**	**0.2**
Taxation compliance services	-	0.1
Taxation advisory services	0.1	0.1
Other non-audit services	-	0.1
Total non-audit fees	**0.1**	**0.3**

*Fee is less than £0.1m

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2020

4. EXCEPTIONAL COSTS

	2020 £'M	2019 £'M
Acquisitions and disposals	1.3	0.8
Strategic review and digital transformation	2.8	-
Restructuring costs	2.8	0.3
Covid restructuring and related expenses	7.0	-
Apprenticeships funding accounting and losses attributable to discontinued programmes	3.1	0.1
Other specific items	1.6	1.6
Exceptional costs excluding impairment of goodwill	**18.6**	**2.8**
Impairment of goodwill (note 9)	74.2	109.8
Total exceptional costs	**92.8**	**112.6**

Acquisition costs are primarily related to Cloud Academy retention and integration incentives. In the prior year costs related to the acquisitions of Cloud Academy Inc. and InfoSec (note 11).

The Group undertook a strategic review following the change in CEO during the year working with consultants including Bain and Company LLC to help to define the future strategic direction for the Group and to accelerate the implementation of the Group's initiatives including digital transformation where it is working with Slalom LLC to develop its digital learning products.

The Group strategic review led to restructuring costs of £2.8m being incurred during the year. These costs arose as the Group brought together its business units under OneQA and made changes to its Executive leadership team.

The Group has undertaken restructuring activities as a result of Covid (page 17). The restructuring costs primarily relate to redundancy costs. The Group has reduced its headcount by c.20% as a result of this programme (see page 17). In addition to restructuring costs the Group has incurred costs of £3.0m from 20 March 2020 to 31 May 2020 for it's properties (rent and rates) due to Covid where it has been prevented from utilising its properties due to the government enforced lockdown.

The Group decided to discontinue some of its apprenticeship programmes focusing instead on its core capability in technology. The costs recognised include an onerous contract provision for the ongoing teaching obligations under these programmes as well as costs related to the settlement of the reassessment of funding due on historical programmes.

Other specific items includes property costs of £0.9m, incurred while two of the Group's major properties were undergoing fit out and not available for classroom use.

Impairment of goodwill is considered to be an unusual event that is abnormal in size and due to its nature is presented separately as exceptional costs.

The Group has benefited from a tax credit of £2.8m in respect of the exceptional costs (2019: £0.4m).

Notes to the consolidated financial statements for the year ended 31 May 2020

5. STAFF COSTS

	2020 £'M	2019 £'M
Wages and salaries	99.7	88.6
Social security costs	9.6	8.9
Other pension costs	2.9	2.1
Total staff costs	**112.2**	**99.6**

Staff costs include redundancy and other exceptional costs of £5.1m (2019: nil).

'Other pension costs' include only the defined contribution scheme charge.

The average monthly number of employees during the year, including Directors that are paid by the Group, was as follows

	2020 NO.	2019 NO.
Learning, teaching and consulting services	922	945
Sales and administration	1,210	1,056
Total employees	**2,132**	**2,001**

Directors Remuneration	2020 £'M	2019 £'M
Directors' emoluments	1.2	0.8
Directors' pension contributions to money purchase pension schemes*	-	-
Total	**1.2**	**0.8**

Information regarding the highest paid Director is as follows:	2020 NO.	2019 NO.
Emoluments	0.5	0.4

Number of Directors accruing benefits under:	2020 NO.	2019 NO.
Money purchase schemes	2	1

Directors' emoluments include £0.4m (2019: nil) of compensation for loss of office and was payable to the highest paid Director.

*Cost less than £0.1m

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Notes to the consolidated financial statements for the year ended 31 May 2020

6. FINANCE INCOME AND COSTS

Finance Income:	2020 £'M	2019 £'M
Bank interest receivable	0.2	-
Fair value movement on derivatives*	0.2	-
Total interest receivable	**0.4**	**-**

Finance Costs:		
Bank loan interest	21.3	21.0
Interest on shareholder loan notes	45.8	41.2
Other interest	-	0.2
Interest on lease liability	2.1	2.0
Fair value movement on derivatives*	-	0.1
Total interest payable	**69.2**	**64.5**

* includes the movement on interest rate swap contracts on the Group's debt.

Notes to the consolidated financial statements for
the year ended 31 May 2020

7. TAXATION

Analysis of the tax charge
The tax charge on loss before tax for the year was as follows:

Current Tax	2020 £'M	2019 £'M
UK corporation tax	0.6	7.3
Adjustment in respect of prior periods	(1.9)	0.9
Total	**(1.3)**	**8.2**
Deferred Tax		
Origination and reversal of timing differences	(5.5)	(5.0)
Adjustment in respect of prior periods	0.4	(0.9)
Effect of change of tax rates	4.9	0.1
Total	**(0.2)**	**(5.8)**
Tax on loss on ordinary activities	**(1.5)**	**2.4**

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Notes to the consolidated financial statements for
the year ended 31 May 2020

7. TAXATION (CONTINUED)

Factors affecting the tax charge.

The tax assessed for the year is higher the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'M	2019 £'M
Loss on ordinary activities before tax	(151.6)	(149.7)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%):	(28.8)	(28.4)
Effects of:		
Ordinary expenses not deductible for tax purposes (including interest)	12.6	12.4
Impairment of goodwill not deductible	14.1	20.9
Effect of IFRS16	(0.2)	-
Effect of overseas tax rates	(3.3)	(2.6)
Effect of changes in tax rate	4.9	0.1
Adjustment in respect of prior periods	(1.4)	-
Deferred tax not recognised	0.6	-
Tax on loss on ordinary activities	**(1.5)**	**2.4**

The Finance Bill 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 May 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

8. DIVIDEND PAID AND PROPOSED

No dividends have been paid or proposed by the Group or the Company (2019: nil).

9. GOODWILL

Cost	£'M
At 1 June 2018	**447.5**
Arising on acquisition	0.3
At 31 May 2019	**447.8**
Arising on acquisition (note 11)	9.4
Exchange differences	-
At 31 May 2020	**457.2**
Impairment	
At 1 June 2018	**-**
Impairment losses for the year	(109.8)
At 31 May 2019	**(109.8)**
Impairment losses for the year	(74.2)
At 31 May 2020	**(184.0)**
Net Book Value	
At 31 May 2019	**338.0**
At 31 May 2020	**273.2**

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Notes to the consolidated financial statements for the year ended 31 May 2020

9.GOODWILL (CONTINUED)

Allocation of goodwill to cash generating units
Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the cash generating units expected to benefit from the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value. The goodwill balances set out below are after the impairment charge of £74.2m (2019: £109.8m).

	2020 £'M	2019 £'M
Learning	152.5	217.3
Apprenticeships	21.8	21.8
Higher Education	58.9	58.9
Consulting	40.0	40.0
Total goodwill	**273.2**	**338.0**

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful life. The present value of the expected cash flows of each cash generating unit is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the Group. This resulted in an impairment being charged for the Learning business to write down the value of goodwill by £74.2m. Further details are included on page 51.

Recoverable amount of each CGU	2020 £'M	2019 £'M
Learning	301.1	341.9
Apprenticeships	42.0	42.7
Higher Education	255.2	174.2
Consulting	62.6	58.8

Growth rates

Terminal value has been calculated using a long term growth rate of 3% per annum, in line with the target long term inflation rates expected for the sector.

Discount rates

The pre tax discount rate applied is 12.8% (2019: 11.5%). Management estimates discount rates that reflect the current market assessment of the time value of money and the risks specific to each CGU at the date of assessment. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital which has been calculated using the capital asset pricing model, the inputs of which include risk free rates, equity risk premiums, size premiums and risk adjustments.

9. GOODWILL (CONTINUED)

Sensitivity

The estimate of recoverable amount is particularly sensitive to the discount rate, growth rate and operating cashflow. The below table shows the impact of reasonably possible changes in these assumptions and their impact on the recoverable value stated in the table on page 83.

	GROWTH RATE		DISCOUNT RATE		CASHFLOW	
	+1%	(1)%	+1%	(1)%	+10%	(10)%
Learning	47.5	(35.4)	(41.3)	55.5	30.1	(30.1)
Apprenticeships	6.8	(5.1)	(5.9)	7.9	4.2	(4.2)
Higher Education	41.4	(30.9)	(35.9)	48.3	25.5	(25.5)
Consulting	12.2	(9.1)	(9.2)	12.4	6.3	(6.3)

The Board has actively reviewed the forecasts associated with the CGUs noting the assumptions used, the sensitivity analysis performed and the ability of the businesses to adapt to challenging economic environments in which they operate, and is satisfied that no further impairments are necessary at 31 May 2020.

10. INVESTMENTS

Cost	INVESTMENTS IN ASSOCIATE £'M
At 1 June 2018	1.9
Acquisition	-
At 31 May 2020 and at 1 June 2019	**1.9**

The Group's investment is in CPI Limited (Hong Kong) which is held through M2 Education (Hong Kong) Limited. The Group has entered into an agreement to dispose of this investment.

11. ACQUISITIONS

On 6 June 2019, the Group acquired Cloud Academy Inc., an online provider of cloud technology training. The transaction rationale was based on Cloud Academy's market leading technology and the ability of QA to provide this as a service to its UK customer base and to expand the content library into new technology areas and continue to grow Cloud Academy's US and international customer base. The goodwill arising from the acquisition consists of the value of the workforce in the business and the benefit that the Group anticipates though developing blended learning for its customers.

The costs incurred in relation to this acquisition of £1.0m were expensed to the Exceptional Items in the Income Statement during FY19.

The Group has undertaken an analysis of the fair value of the assets and liabilities acquired and these are set out in the table below.

	FAIR VALUE £'M
Non-current assets	
Intangible assets	8.1
Current assets	
Trade and other receivables	0.6
Cash and cash equivalents	0.1
Total Assets	**8.8**
Current liabilities	
Lease liabilities	(0.1)
Trade and other payables	(0.5)
Deferred income	(2.1)
Non-current liabilities	
Provisions	(0.1)
Deferred tax	(1.3)
Total Liabilities	**(4.1)**
Net Assets	**4.7**
Goodwill arising on acquisition	
Consideration	14.1
Net assets acquired	(4.7)
Goodwill	**9.4**

The fair value of the financial assets include receivables with a fair value of £0.6m and a gross contractual value of £0.6m.

Notes to the consolidated financial statements for the year ended 31 May 2020

12. OTHER INTANGIBLE ASSETS

	CUSTOMER RELATIONSHIPS £'M	TRADENAME £'M	CONTENT AND MATERIALS £'M	SOFTWARE AND DEVELOPMENT COSTS £'M	TOTAL £'M
Cost					
At 1 June 2018	**277.0**	**19.0**	**3.0**	**-**	**299.0**
Additions from development	-	-	-	2.3	2.3
At 1 June 2019	**277.0**	**19.0**	**3.0**	**2.3**	**301.3**
On acquisition of subsidiaries	2.5	-	5.6	-	8.1
Reclassification from tangible fixed assets*	-	-	-	1.9	1.9
Additions from development	-	-	-	7.0	7.0
Exchange Differences	0.1	-	0.2	0.1	0.4
At 31 May 2020	**279.6**	**19.0**	**8.8**	**11.3**	**318.7**
Amortisation					
At 1 June 2018	**23.1**	**0.9**	**1.0**	**-**	**25.0**
Charge for year	24.6	1.0	1.0	0.3	26.9
At 1 June 2019	**47.7**	**1.9**	**2.0**	**0.3**	**51.9**
Reclassification from tangible fixed assets*	-	-	-	1.0	1.0
Charge for year	25.1	1.0	2.9	2.2	31.2
Exchange Differences	-	-	(0.2)	-	(0.2)
At 31 May 2020	**72.8**	**2.9**	**4.7**	**3.5**	**83.9**
Net Book Value					
At 1 June 2019	**229.3**	**17.1**	**1.0**	**2.0**	**249.4**
At 31 May 2020	**206.8**	**16.1**	**4.1**	**7.8**	**234.8**

*The Group has reclassified Software and Development costs from Property, Plant and Equipment to intangible assets.

Notes to the consolidated financial statements for the year ended 31 May 2020

13. PROPERTY, PLANT AND EQUIPMENT

	RIGHT OF USE ASSETS £'M	SHORT TERM LEASEHOLD IMPROVEMENTS £'M	FIXTURES, FITTINGS AND EQUIPMENT £'M	TOTAL £'M
Cost				
At 1 June 2018	**35.3**	**7.2**	**8.9**	**51.4**
Additions	11.3	4.7	3.9	19.9
At 1 June 2019	**46.6**	**11.9**	**12.8**	**71.3**
Additions	19.1	5.5	3.9	28.5
Reclassification to intangible assets*	-	-	(1.9)	(1.9)
At 31 May 2020	**65.7**	**17.4**	**14.8**	**97.9**
Depreciation				
At 1 June 2018	4.6	1.9	3.3	9.8
Charge for year	6.0	3.0	3.6	12.6
At 1 June 2019	**10.6**	**4.9**	**6.9**	**22.4**
Charge for year	6.8	2.5	3.6	12.9
Reclassification to intangible assets*	-	-	(1.0)	(1.0)
At 31 May 2020	**17.4**	**7.4**	**9.5**	**34.3**
Net Book Value				
At 1 June 2019	**36.0**	**7.0**	**5.9**	**48.9**
At 31 May 2020	**48.3**	**10.0**	**5.3**	**63.6**

*The Group has reclassified Software and Development costs from Property, Plant and Equipment to intangible assets.

14. INVENTORIES

	2020 £'M	2019 £'M
Training material and goods for resale	0.2	0.2

In 2020, training materials of £8.4m (2019: £7.8m) were recognised as an expense during the year and included in 'cost of sales'. The value of inventories is stated after a provision for obsolescence of £0.1m (2019: £0.1m).

15. TRADE AND OTHER RECEIVABLES

	2020 £'M	2019 £'M
Amounts falling due within one year		
Trade receivables	19.1	26.7
Accrued income	11.1	18.4
Corporation tax	2.2	-
Prepayments	5.6	8.1
Total	**38.0**	**53.2**

No interest is charged on outstanding trade receivables. Trade receivables are stated after a provision of £2.6m (2019: £1.9m). Trade receivables include £0.5m (2019: £1.4m) of related party receivables (see note 28).

Trade Receivables

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, £1.9m (2019: £2.4m) is due from the Group's largest customer. There are no other customers who represent more than 5 per cent of the total balance of trade receivables.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of trade receivables on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade Receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

As at 31 May, the analysis of trade receivables and Lifetime ECL by risk profile is set out below.

	GROSS CARRYING AMOUNT 2020 £'M	LIFETIME ECL 2020 £'M	NET CARRYING AMOUNT 2020 £'M
Not past due	14.6	(1.2)	13.4
< 30 days past due	3.6	(0.1)	3.5
30 - 60 days past due	1.3	(0.1)	1.2
60 - 180 days past due	2.2	(1.2)	1.0
Total	**21.7**	**(2.6)**	**19.1**

	2019 £'M	2019 £'M	2019 £'M
Not past due	23.0	(0.1)	22.9
< 30 days past due	2.5	(0.5)	2.0
30 - 60 days past due	1.5	(0.3)	1.2
60 - 180 days past due	1.6	(1.0)	0.6
Total	**28.6**	**(1.9)**	**26.7**

16. CASH AND CASH EQUIVALENTS

	2020 £'M	2019 £'M
Cash at bank and in hand	107.3	36.4
Cash and cash equivalents	**107.3**	**36.4**

17. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'M	2019 £'M
Amounts falling due within one year		
Trade payables	8.1	10.7
Social security and other taxes	13.6	7.3
Amounts owed to Group undertakings	3.4	1.6
Corporation tax	-	3.7
Other creditors	11.0	5.0
Accrued expenses	20.1	20.0
Deferred income	45.1	45.7
Total	**101.3**	**94.0**

Amounts owed to Group undertakings due within one year are repayable on demand and attract no interest. Other creditors includes £6.5m (2019: £3.6m) of payables to related parties. Accruals include £2.6m (2019: nil) of payables to related parties. See note 28.

18. LOAN AND BORROWINGS

	CURRENT 2020 £'M	NON-CURRENT 2020 £'M	TOTAL 2020 £'M	CURRENT 2019 £'M	NON-CURRENT 2019 £'M	TOTAL 2019 £'M
Bank loans	65.0	313.9	378.9	-	312.3	312.3
Shareholder loans	-	483.8	483.8	-	438.2	438.2
Lease liabilities	6.8	45.2	52.0	9.7	27.6	37.3
	71.8	**842.9**	**914.7**	**9.7**	**778.1**	**787.8**

Current bank loans represent a revolving credit facility, which is repayable within one year, and attracts interest at LIBOR+ 3.50% (2019: 3.75%). The facility is available until 2023. Non-current bank loans represent a term loan facility (stated after debt arrangement fees) which is repayable in 2024, and attracts interest at LIBOR + 4.75%. Shareholder loans are repayable in 2047 and attract interest at a rate of 10.00%. Included within shareholder loans is capitalised interest of £122.1m (2019: £76.3m). The bank loans are secured via a fixed and floating charge over all of the assets of the Group.

The Directors consider that the carrying value of loans approximates their fair value.

Notes to the consolidated financial statements for the year ended 31 May 2020

19. PROVISIONS

	2020 £'M	2019 £'M
Dilapidations		
At start of year	6.3	0.5
Utilised in the year	(0.2)	(0.1)
Recognised in the year^	-	5.7
Unwind of discount on provision	-	0.2
Total	**6.1**	**6.3**
Onerous Contracts		
At start of year	-	-
Recognised in the year^	0.8	-
Unwind of discount on provision	-	-
Total	**0.8**	**-**
Restructuring		
At start of year	-	-
On acquisition of subsidiaries (note 11)	0.1	-
Utilised in the year	(0.1)	-
Recognised in the year^	3.7	-
Unwind of discount on provision	-	-
Total	**3.7**	**-**
Current liabilities	4.4	-
Non-current liabilities	6.2	6.3
Total Provisions	**10.6**	**6.3**

The provision for dilapidations represents management's best estimate of the future dilapidations associated with leased properties. The provisions are based on the best estimate of the Directors, with reference to past experience, of the expected future cash flow. The cash flows are expected to occur in between 1 and 15 years. The provision has been discounted to reflect the time value of money.

The provision for onerous contracts includes both vacant leasehold property provisions and the provision for onerous customer contracts.

Should a provision ultimately prove to be unnecessary then it is credited back into the income statement. Where the provision was originally established as an adjusting item, any release is shown as an adjusting credit.

^In the prior year the Group reallocated £3.2m of property accruals to the dilapidation provision and capitalised £2.5m of costs related to leasehold improvement restoration obligations.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2020

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 £'M	2019 £'M
Interest rate swap	0.2	0.4
Total	**0.2**	**0.4**

To reduce the interest rate risk of changes in LIBOR the Group entered into a pay-fixed/receive-floating interest rate swap. The swap's notional principal is £200m and it matures on 30 November 2020.

21. DEFERRED TAX

	2020 £'M	2019 £'M
Fixed asset temporary differences	(2.1)	(2.5)
Other temporary differences	42.9	42.2
Deferred tax liability	**40.8**	**39.7**
Amounts brought forward / on inception	39.7	45.5
Arising on acquisition	1.3	-
Credit for the year	(0.2)	(5.8)
Balance at end of year	**40.8**	**39.7**

The Group has an unrecognised deferred tax asset of £0.6m (2019 nil). The Group does not have any unrecognsied deferred tax liabilities. The income statement charge of £0.2m arises because of a remeasurement of the deferred tax liabilities arising on intangibles of £4.9m and an adjustment in respect of prior years £0.4m, which have offset the credit to the income statement from amortisation of acquired intangibles £5.5m.

Notes to the consolidated financial statements for the year ended 31 May 2020

22. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each	SHARES NO.	SHARE CAPITAL £'M
Issued for cash	1,000,000	1.0
At 31 May 2019 and At 31 May 2020	**1,000,000**	**1.0**

The Company has authorised and issued 1,000,000 Ordinary shares of £1 each at par. Each share carries pari passu voting and distribution rights. No shares have been issued during the year (2019: nil).

Share Based Payments

In the year ended 31 May 2019, the Group's ultimate parent IndigoCyan Topco Limited issued an aggregate of 11,005 shares to Management. No shares were issued during the year ended 31 May 2020. Subsequent to the year end in June 2020 a further 19,580 shares were issued to management. The shares fully vest upon a change of control of the Group.

As no shares were granted in the year the estimated market value of those grants was £nil. In 2019 the Group had granted shares 11,005 shares with an estimated market value of £1.7m. The charge for these grants is spread over the vesting period and resulted in a charge to the income statement of £0.5m (2019: £0.6m) during the year.

The market value of the shares at the grant date is calculated using the Black-Scholes formula. The key assumptions used in the calculation are set out below:

GRANT DATE	**2019 AWARDS**	**2018 AWARDS**
Expected volatility	32.2%	30.3%
Expected term	3.2 years	3.9 years
Risk free rate	0.7%	0.3%
Dividend yield	0.0%	0.0%

Notes to the consolidated financial statements for the year ended 31 May 2020

22. CALLED UP SHARE CAPITAL (CONTINUED)

	SHARES 2020 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2020 £	SHARES 2019 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2019 £
Outstanding at beginning of year	47,905	-	36,900	-
Granted during the year	-	-	11,005	-
Forfeited during the year	(5,905)	-	-	-
Vested during the year	(28,166)	-	-	-
Expired during the year	-	-	-	-
Not vested at the end of the year	**13,834**	**-**	**47,905**	**-**
Vested at the end of the year	**28,166**	**-**	**-**	**-**

23. RESERVES

Retained earnings reserve
The retained earnings reserve represents cumulative profit or losses, net of dividends.

Share premium reserve
This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Non-controlling interest:

	2020 £'M	2019 £'M
At start of year	(0.7)	3.4
Purchase of non-controlling interest	0.7	(4.1)
Profit for the year	-	-
At end of year	**-**	**(0.7)**

During the year the Company acquired the reminaing stake in M2 Education Hong Kong for $1.

24. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes
The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total costs charged of £2.9m (2019: £2.1m) represent contributions payable to these schemes by the Group at rates specified in the rules of the plans. Contributions payable to the schemes at the year end were £1.0m (2019: £0.5m).

25. FINANCIAL INSTRUMENTS

The Group's activities expose it to a number of financial risks including liquidity, price risk and credit risk. The Group does not use derivative financial instruments for speculative purposes. The Group and the Company's principal financial instruments are amounts receivable from customers, cash, bank overdrafts and bank loan.

As at 31 May 2020 the Group's indebtedness amounted to £807.4m (2019: £751.4m) of which £483.8m (2019: £438.2m) is shareholder loans

Liquidity risk
Liquidity risk is the risk that the Group will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operating and future developments, the Group operating a centralised treasury function, features of which includes intercompany cash transfers and management of operating lease contracts.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The Group's principal financial assets are bank balances and trade receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk other than with UK government bodies. The remaining exposure is spread over a large number of counterparties and customers.

Price risk
The Group is exposed to limited price risk and historically market prices have shown a high level of stability.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk management
The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Interest rate risk
The Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Group uses interest rate swaps to minimise its exposure to interest rate risks, details of the interest rate swap can be found in note 20.

Fair values of financial assets and liabilities
Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

Interest rate swaps – Level 2

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

25. FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets out the carrying value of the Group's financial assets and liabilities by category:

	2020 £'M	2019 £'M
Financial assets		
Amortised cost		
Cash and bank balances	107.3	36.4
Trade and other receivables	19.1	26.7
Financial liabilities		
Amortised cost		
Trade and other payables	32.7	23.0
Other financial liabilities measured at amortised cost (see note 18)	738.8	758.2
FVTPL		
Interest rate swaps	0.2	0.4

26. CAPITAL COMMITMENTS

The Group has capital commitments of £nil (2019: £0.5m).

27. ULTIMATE PARENT COMPANY

The Directors regard IndigoCyan HoldCo 2 Limited, a company registered in Jersey as the immediate Parent Company, and IndigoCyan Jerseyco Limited, a company registered in Jersey, as the ultimate parent undertaking and controlling party. IndigoCyan Jerseyco is controlled by funds managed by CVC Advisors LLC. The largest and smallest group with which the Company is consolidated is IndigoCyan Holdco 3 Limited.

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Notes to the consolidated financial statements for the year ended 31 May 2020

28. RELATED PARTY TRANSACTIONS

Saltgate Limited ("Saltgate") is a related party by virtue of common Directors. During the year the Group made purchases of £0.1m (2019: £0.1m) from Saltgate and a balance of £nil (2019: £nil) was due to Saltgate at the year end, and included in accruals.

CVC Credit Partners LLC ("CVC") is a related party by virtue of common ownership and control of the Group. Bank loans includes £6.0m (2019: £11.5m) of loans provided by funds controlled by CVC. Interest accrued on these loans in the year totalled £0.4m (2019: £0.8m).

The Company's immediate parent IndigoCyan Holdco 2 Limited has provided the Company with loans totalling £483.8m (2019: £438.2m). These loans accrued interest of £45.6m (2019: £41.2m) during the year.

The Group's Higher Education business has partnerships with its University partners to deliver degree programs through Branch campuses. These are held through joint venture arrangements. During the course of the year the Group made purchases of £1.8m (2019: £1.2m) from these and made sales of £8.8m (2019: £5.7m). In addition to this the Group's University partners receive student funding on behalf of the Group and remit this to QA. During the year the Group received funds from its University Partners totalling £38.5m (2019: £34.2m) and at the balance sheet date the partners owed the Group £0.5m (2019: £1.4m) and the Group owed its partners £9.1m (2019: £3.6m).

Key management personnel are deemed to be the Directors and executive management Board. Remuneration (including compensation for loss of office) for key management personnel is £2.8m (2019: £1.8m).

Notes to the consolidated financial statements for the year ended 31 May 2020

29. NET CASH FLOW FROM OPERATING ACTIVITIES

	2019 £'M	2019 £'M
Loss for the year	(150.1)	(152.1)
Adjustments for		
Net finance costs	69.0	64.4
Fair value movement on derivatives	(0.2)	0.1
Depreciation and amortisation charges	15.1	12.9
Impairment charges	74.2	109.8
Amortisation of acquired intangibles	29.0	26.6
Income tax expense	(1.5)	2.4
Increase in provisions	4.3	2.9
Total	**189.9**	**219.1**
Changes in:		
Decrease in inventories	-	0.2
Increase in receivables	18.0	0.5
Increase in payables	7.9	0.3
Working capital movement	**25.9**	**1.0**
Taxation paid	(4.8)	(6.3)
Net cash inflow from operating activities	**60.9**	**61.7**

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Notes to the consolidated financial statements for the year ended 31 May 2020

29. NET CASH FLOW FROM OPERATING ACTIVITIES (CONTINUED)

Changes in liabilities arising from financing activities. The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	AT 1 JUNE 2019 £'M	FINANCING CASH FLOWS £'M	FAIR VALUE ADJUSTMENTS £'M	OTHER CHANGES* £'M	AT 31 MAY 2020 £'M
Bank loans	312.3	65.0	-	1.6	378.9
Shareholder loans	438.2	-	-	45.6	483.8
Lease liabilities	37.3	(6.3)	-	21.0	52.0
Interest rate swaps	0.4	-	(0.2)	-	0.2
Total	**788.2**	**58.7**	**(0.2)**	**68.2**	**914.9**

* Other changes include interest accruals.

	AT 1 JUNE 2018 £'M	FINANCING CASH FLOWS £'M	FAIR VALUE ADJUSTMENTS £'M	OTHER CHANGES* £'M	AT 31 MAY 2019 £'M
Bank loans	320.8	(10.0)	-	1.5	312.3
Shareholder loans	397.0	-	-	41.2	438.2
Lease liabilities	31.6	(7.4)	-	13.1	37.3
Interest rate swaps	0.3	-	0.1	-	0.4
Total	**749.7**	**(17.4)**	**0.1**	**55.8**	**788.2**

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2020

	NOTE	2020 £'M	2019 £'M
Assets			
Non-current Assets			
Investment in subsidiary	2	-	1.0
Trade and other receivables	3	660.9	822.9
Total Assets		**660.9**	**823.9**
Liabilities			
Current liabilities			
Loan and borrowings	6	(65.0)	-
Trade and other payables	4	(4.7)	(48.2)
Derivative financial instruments	5	(0.2)	(0.4)
		(69.9)	**(48.6)**
Non-current Liabilities			
Loan and borrowings	6	(797.7)	(750.5)
		(797.7)	**(750.5)**
Total Liabilities		**(867.6)**	**(799.1)**
NET ASSETS		**(206.7)**	**24.8**
Equity			
Share capital	7	1.0	1.0
Retained earnings		(207.7)	23.8
Total Equity		**(206.7)**	**24.8**

The Parent Company's loss for the financial year was £231.5m (2019: profit of £13.5m). The financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 28 September 2020. Signed on behalf of the Board of Directors by:

Nathan Runnicles
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020

	NOTE	SHARE CAPITAL £'M	RETAINED EARNINGS £'M	TOTAL EQUITY £'M
As at 1 June 2018		1.0	10.3	11.3
Profit for the year		-	13.5	13.5
Total comprehensive income for the year		**-**	**13.5**	**13.5**
As at 31 May 2019		**1.0**	**23.8**	**24.8**
Loss for the year		-	(231.5)	(231.5)
Total comprehensive income for the year		**-**	**(231.5)**	**(231.5)**
As at 31 May 2020		**1.0**	**(207.7)**	**(206.7)**

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Parent
The Company's financial statements are presented in Sterling (£) and all values are rounded to the nearest hundred thousand pounds (£0.1m) except where otherwise indicated. The financial statements of the Company present the results of the Company for the year to 31 May. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but takes advantage of the following disclosure exemptions available under FRS 101:

- An Income Statement;
- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The Company's accounting policies are the same as those set out in the consolidated financial statements except for the following.

Investments in subsidiaries
Subsidiaries are entities over which the Company has power to govern the financial and operating policies so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

Investments in subsidiaries are stated at cost less any provision for impairment. The investments in subsidiaries are considered for impairment on an annual basis.

Critical accounting judgements and key sources of estimation uncertainty
In applicable of the Company's accounting policies described above the Directors required to make judgements, estimates and assumptions about the carrying amounts 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 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 if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Impairment of non-financial assets
The Group's impairment test for the carrying value of investments and intercompany loans is based on either on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset.

1. ACCOUNTING POLICIES (CONTINUED)

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the strategic plan for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Further information on the Group's approach is set out in the Group's accounting policies on page 75.

There are no critical accounting estimates related to the Company.

Staff costs
The Company does not pay staff costs, as it has no employees. The Company has not made any payments to Directors during the year. The Directors do not believe that it is practicable to allocate their time between the Group companies. The payments were borne by another Group company.

2. INVESTMENTS

	INVESTMENTS IN SUBSIDIARIES 2020 £'M	INVESTMENTS IN SUBSIDIARIES 2019 £'M
Cost		
At the start of the year	1.0	1.0
Additions	-	-
At the end of the year	**1.0**	**1.0**
Accumulated Impairment Charges		
At the start of the year	-	-
Impairment charges	(1.0)	-
At the end of the year	**(1.0)**	**-**
Net Book Value	**-**	**1.0**

2. INVESTMENTS (CONTINUED)

The Company has impaired the carrying value of it's investment by £1.0m, further details are included in Note 3.

The Company owns the following subsidiary undertakings, which are included in the Group's consolidation (except where noted as being acquisitions after the balance sheet date):

Name	Country of incorporation	Ownership	Principal activity	Class of holding
Entities with registered office: 27 Esplanade, St Helier, Jersey, JE1 1SG				
IndigoCyan Midco Limited	Jersey	100%	Holding company	Ordinary
IndigoCyan Bidco Limited*	Jersey	100%	Holding company	Ordinary
Ichnaea Jersey Holdings Limited*	Jersey	100%	Holding company	Ordinary
Entities with registered office: Rath House, 55-56 Uxbridge Road, Slough, Berkshire, SL1 1SG				
Ichnaea UK Holdings Limited*	England and Wales	100%	Holding company	Ordinary
Ichnaea UK Bidco Limited*	England and Wales	100%	Holding company	Ordinary
Seckloe 208 Limited*	England and Wales	100%	Holding company	Ordinary
QA Limited*	England and Wales	100%	Provision of training services	Ordinary
Focus Project Management (Europe) Limited*	England and Wales	100%	Provision of training services	Ordinary
QAHE (Ulst) Limited*	England and Wales	100%	Provision of higher education	Ordinary
QAHE (NU) Limited*	England and Wales	100%	Provision of higher education	Ordinary
QAHE (UR) Limited*	England and Wales	100%	Provision of higher education	Ordinary
QAHE (SU) Limited*	England and Wales	100%	Provision of higher education	Ordinary
QAHE (UK) Limited*	England and Wales	100%	Provision of higher education	Ordinary
QAHE Limited*	England and Wales	100%	Provision of higher education	Ordinary
QAHE Services Limited*	England and Wales	100%	Provision of higher education	Ordinary
QAHE (MDX) Limited*	England and Wales	100%	Provision of higher education	Ordinary
QAHE Solent Limited*	England and Wales	100%	Provision of higher education	Ordinary

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Notes to the Parent Company financial statements for the year ended 31 May 2020

2. INVESTMENTS (CONTINUED)

Name	Country of incorporation	Ownership	Principal activity	Class of holding
QAHE (LM) Limited*	England and Wales	100%	Provision of higher education	Ordinary
QA Gateway Limited*	England and Wales	100%	Holding Company	Ordinary
QA Consulting Services Limited*	England and Wales	100%	Provision of consultancy services	Ordinary
Entities with registered office: 4th Floor, VC House, 4-6 Lan Street, Central, Hong Kong				
M2 Education (Hong Kong) Limited*#	Hong Kong	100%	Provision of higher education	Ordinary
Entities with registered office: 1 Bluxome Street, San Francisco, CA 94107, United States of America				
QA USA, Inc*	United States of America	100%	Holding company	Ordinary
Cloud Academy Inc*	United States of America	100%	Provision of on-line training services	Ordinary
Entities with registered office: Via Penate 16, 6850 Mendrisio, Switzerland				
Cloud Academy Sagl*	Switzerland	100%	Software and content developer	Ordinary

* Indirect subsidiaries
# The Group has commenced with a process of disposing of its investment in Hong Kong.

3. TRADE AND OTHER RECEIVABLES

	2020 £'M	2019 £'M
Amounts falling due after one year:		
Loans to Group undertakings	660.9	822.9
Total	**660.9**	**822.9**

Loans to Group undertakings due after one year are repayable in 2047 and attract interest at a rate of 10%.

The Company has assessed the recoverability of it's receivables in light of current trading performance and the impact Covid on the economy. This resulted in a write down of the receivable of £244.3m and impairment of the Company's investment of £1.0m.

Included within loans to Group undertakings are loan notes that are listed on The International Stock Exchange and are due from the Company's subsidiaries.

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4. TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'M	2019 £'M
Amounts falling due within one year:		
Amounts owed to Group undertakings	4.1	48.2
Accruals	0.6	-
Total	**4.7**	**48.2**

Amounts owed to Group undertakings due within one year are repayable on demand. Of the balance £0.8m is due to IndigoCyan Topco Limited (2019: £0.6m). The remainder of the balance is due from the Company's subsidiaries.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. The Company does not trade in derivative financial instruments for speculative purposes. The Company does not apply hedge accounting and the movements in the fair value of the derivatives are recognised in the Income Statement at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Company's derivative financial instruments are measured at fair value and are summarised below:

	2020 £'M	2019 £'M
Interest rate swap	0.2	0.4
Total	**0.2**	**0.4**

To reduce the interest rate risk of changes in LIBOR the Company has entered into a pay-fixed receive-floating interest rate swap. The swap's notional principal is £200m and it matures on 30 November 2020.

Notes to the Parent Company financial statements for the year ended 31 May 2020

5. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and liabilities

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and;
- Level 3: unobservable inputs for the asset or liability.

Interest rate swaps – Level 2

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

6. LOAN AND BORROWINGS

	CURRENT 2020 £'M	NON-CURRENT 2020 £'M	TOTAL 2020 £'M	CURRENT 2019 £'M	NON-CURRENT 2019 £'M	TOTAL 2019 £'M
Bank loans	65.0	313.9	378.9	-	312.3	312.3
Shareholder loans	-	483.8	483.8	-	438.2	438.2
	65.0	**797.7**	**862.7**	**-**	**750.5**	**750.5**

Current bank loans represents a revolving credit facility, which is repayable within one year and attracts interest at LIBOR + 3.50% (2019: 3.75%). The facility is available until 2023. Non-current bank loans represent a term loan facility, which is repayable in 2024 and attracts interest at LIBOR + 4.75%. Shareholder loans are repayable in 2047 and attract interest at a rate of 10.00%. The shareholder loans are considered to be related party transactions. Further disclosure is included in note 28 of the Group financial statements.

The Directors consider that the carrying value of loans approximates their fair value.

7. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each	2020 SHARES NO.	2020 SHARE CAPITAL £'M	2019 SHARES NO.	2019 SHARE CAPITAL £'M
Issued for cash	1,000,000	1.0	1,000,000	1.0
At end of year	**1,000,000**	**1.0**	**1,000,000**	**1.0**

The Company has authorised and issued 1,000,000 Ordinary shares of £1 each at par. Each share carries pari passu voting rights. No shares have been issued during the year (2019: nil).

The Company's immediate and ultimate controlling party is disclosed in note 27 to the Group financial statements.

INDIGOCYAN HOLDCO 3 LIMITED

CAUTIONARY STATEMENT

This document contains various forward-looking statements that reflect management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and the Group's actual financial condition, results of operations and cash-flows, and the development of the industry in which the Group operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this document. In addition, even if the Group's financial condition, results of operations, and cash-flows and the development of the industry in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be provided that they will materialise or prove to be correct. Because these forward-looking statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements.

The information contained in this Report has been prepared on the basis of the knowledge and information available to Directors at the date of its preparation and the Group does not undertake any obligation to update or revise this Report during the financial year ahead.

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