POWERING POTENTIAL

QA ANNUAL REPORT

And Financial Statements 2019

IndigoCyan HoldCo 3 Limited
(Herein referred to as "QA" or the "Group")

POWERING POTENTIAL

We believe that everything starts with our learners. Transforming their careers and their lives is what motivates and inspires us.

We power the success of tomorrow by training the next generation of technologists, leaders and innovators.

CONTENTS

OUR YEAR

KEY HIGHLIGHTS

QA is one of the UK's leading digital education and skills providers with services spanning corporate learning to vocational and higher education.

In 2019 we served more than:

270,000
Learners

5,000
Employers

1,250
Courses

Over
250
fully employed learning professionals.

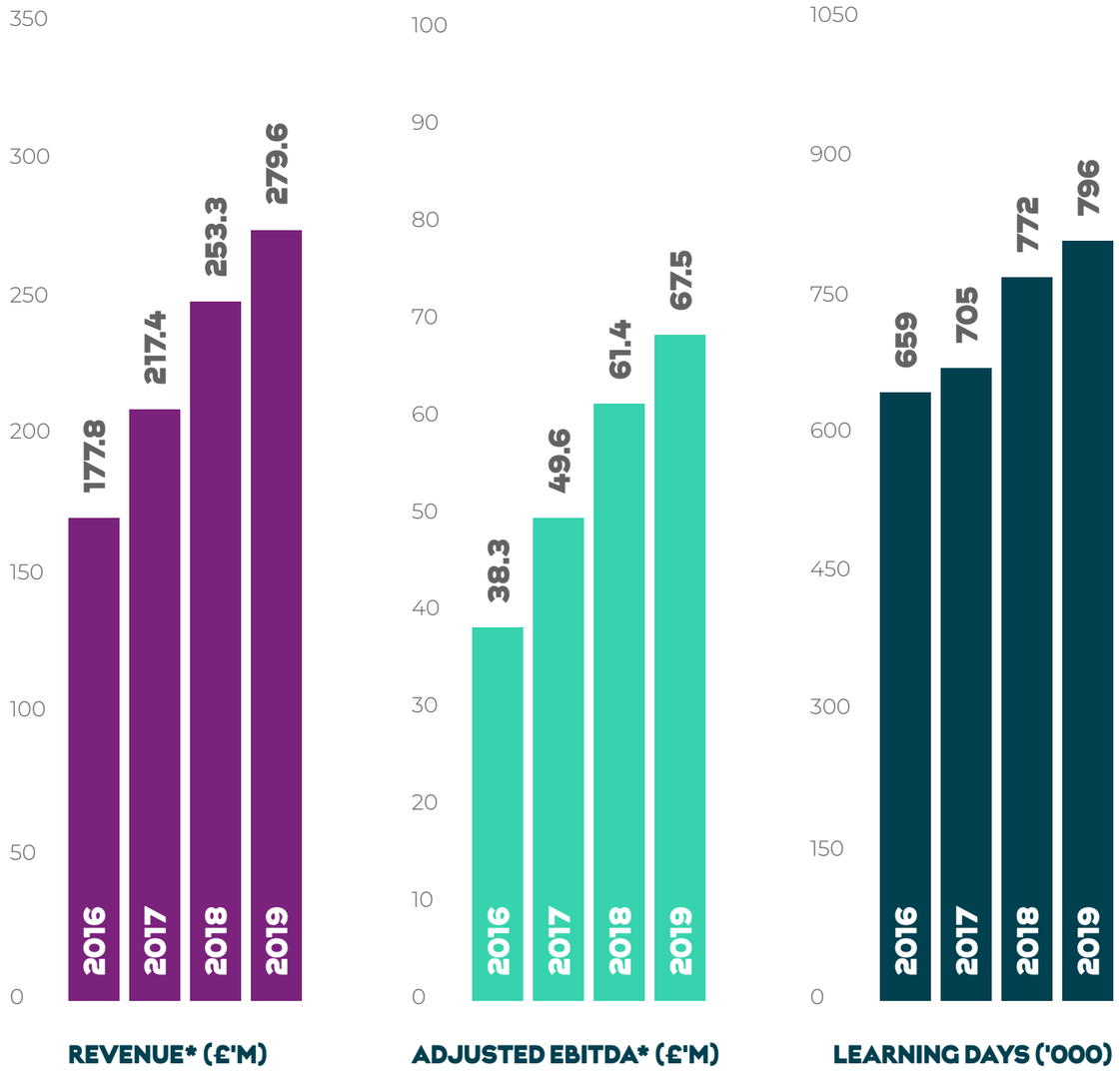
We have recruited over
100
Computer Science and STEM graduates.

More than
20
dedicated learning hubs across the UK.

We have kick-started more than
25,000
careers through apprenticeships

1,250
courses on our curriculum across all of our subject areas.

Key employability skills delivered to over
5,500
students through Higher Eductaion



*Financials set out in Table 1 (pg 50) and Table 3 (pg 53)

OUR YEAR

WHAT WE DO

QA helps learners to excel and businesses to grow. We are experts in emerging technologies, leadership and management, business methods and people skills.

We specialise in training and skill development. We do all things learning. We provide the right skills for the digital age through four key services:

LEARNING SOLUTIONS AND TRAINING

- Learning Solutions – we provide tailored end-to-end learning solutions to solve businesses' critical skills and talent challenges. We consult with customers helping them to define their skills and workforce needs, and to implement their learning and longer term talent strategy
- Courses and Certifications – we have over 1,250 training courses and certifications to choose from, spanning cloud, agile, cyber, technology, data science, artificial intelligence (AI) and leadership. The way people learn is changing and so we offer a variety of different learning support tools and delivery methods. The recent acquisition of Cloud Academy adds a digital training platform and enables QA to integrate classroom and online capabilities to offer clients a unique blended learning solution. This includes skills assessments, digital learning pathways, hands on skills labs and real-time learning analytics.
- Managed Learning Services – we are recognised as one of the UK's leading outsourcing and managed learning service providers. We partner with over 5,000 employers, booking over 750,000 learning days across a wide range of suppliers

DIGITAL CONSULTANTS

- We specialise in sourcing, recruiting, developing and certifying high potential early career consultants for the Cloud, DevOps, Software Development and RPA
- Once skilled in technology and modern ways of working, we deploy project ready consultants into our customers to accelerate delivery of critical high value projects
- As a cost and time effective complement to traditional recruiting methods and the freelance market, our solution enables customers to build long term in house capability by allowing our consultants to convert and become the clients permanent staff
- Teams of consultants for larger projects – if a customer has a more complex technical project we deploy a ready-made structured team of junior consultants led by one of our senior consultants

APPRENTICESHIP PROGRAMMES

- Industry-focused – we've kick-started over 25,000 careers through our apprenticeship programmes, which are designed around real roles in real businesses. That means we teach people industry-relevant skills (not how to pass tests)
- Up to Degree level – we deliver 17 programmes across England and Scotland and offer our learners progression routes to higher-level programmes (including degree and Master's apprenticeships)
- Maximising the Levy – we work and consult with organisations to maximise their Levy commitment
- Fully accredited – we were the first IT apprenticeships business rated Ofsted Outstanding and maintain this ranking today

HIGHER EDUCATION DEGREES

- Industry-focused – we delivered over 90 industry-relevant programmes – all focussed on giving our 5,500+ students key employability skills that are right for the modern workplace
- Up to Masters – our programmes are offered across varying levels – from pre-degree foundation programmes through to Masters degrees – which means we can cater for a broad range of students and offer them progression tracks
- University Partnerships – we're a private higher education provider, working in partnership with some of the UK's leading universities including Middlesex University, Northumbria University, Solent University, Ulster University and the University of Roehampton
- Full or part time study – all our programmes are designed to be flexible so learners can manage their studies around other commitments.

CHAIR'S REVIEW

SIR CHARLIE MAYFIELD

It gives me pleasure to reflect upon another year of strong performance here at QA. I am proud of our achievements and of our unique contribution to the UK's skills market and future economy. I am, however, most passionate about how we transform the lives of our learners.

Today's workplace is constantly changing. New technologies are impacting upon the lives of workers and the skill sets that they need in order to progress and succeed.

The UK has a significant – and well-publicised – skills shortage. This provides opportunities for an organisation like QA. We focus on equipping our learners with the skills that they need, particularly in the technical and business sectors.

The importance of growing our own pool of talent has never been greater. Three in five UK firms report difficulty hiring staff; more than half expect the situation to deteriorate. The recent fall in unemployment is putting an upward pressure on wages. UK job vacancies are now at their highest level since comparable records began in 2001. Our labour market must develop and adapt.

Businesses therefore have an urgent need to 'grow' their own talent. This is exactly the space in which QA operates and excels. We provide learners with the skills to match the needs of their employers and, ultimately, our economy. We do this in increasingly innovative ways using machine- and blended-learning, AI and other new technologies as they become available.

Our programmes align with the core skillsets needed by today's employers so helping to bridge the skills gap. Our industry-focused IT and business programmes – spanning apprenticeships to graduate bootcamps, Masters degrees and blended corporate training – all deliver key employability skills. We give our learners the practical skills that they need to contribute to their workplace from day one.

"UK job vacancies are now at their highest level since comparable records began in 2001. I am proud of our achievements and of our unique contribution to the UK's skills market and future economy."

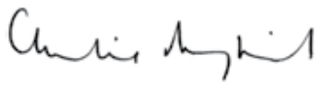
But we also make a difference to our learners at a personal level – by focusing on their education, training and performance. Our training creates better lives and prospects for them. Our apprenticeship programmes support social mobility. They create new routes into stable, highly-skilled and well-paid jobs for those from the UK's most deprived areas.

QA IT programmes have 18% more learners from the most deprived IMD quintile than the national average. These apprentices typically earn more than the national average. The median wage for QA apprentices aged under 25 is £345 per week, some 45% higher than the estimated national median. This equates to £9.20 per hour, 12% higher than the full National Living Wage (for over 25s).

QA apprentices on technology and higher-level programmes are also disproportionately likely to get a pay rise while on the programme. Some 78% of QA apprentices received such a rise, versus 43% nationally.

Of course, we recognise that more needs to be done. It is motivating, however, to see that our training and qualifications have a real impact on learners' lives, increasing their earning potential. This, in turn, creates a fairer society in which application and hard work are rewarded.

I believe that QA makes a profound difference at both an individual and a national level.



Sir Charlie Mayfield
Chairman

STRATEGIC REVIEW

WILLIAM MACPHERSON

THE YEAR IN REVIEW

I am pleased to report another year of double-digit growth for QA with revenue increasing by 10% and EBITDA growing by 10%. This is the 11th successive year of both revenue and EBITDA growth.

We continued to make real progress with key imperatives:

1. **Providing the highest quality training and education**
2. **Investing in leading-edge content and delivery mechanisms**
3. **Attracting and retaining the best talent in our organisation**

PROVIDING THE HIGHEST QUALITY TRAINING AND EDUCATION

At QA, everything starts with the learner. Providing the highest quality education - along with the most up-to-date thinking in technical training - is the key to long-term value creation.

To enhance our teaching quality we made several investments during the year including:

- The creation of a Teaching & Learning Council to act as a centre of excellence to enhance our understanding of learning styles and teaching efficacy
- A new Quality Committee to drive up Net Promoter Score and Student Satisfaction measures

We were rewarded with increasing NPS scores across most areas of the Group. The improvements were evidenced independently by the ESFA's survey of apprenticeship employer satisfaction showing much enhanced satisfaction levels during the year; and independant inspection by the British Council (for teaching English as a foreign language).

We welcome and encourage audit by regulators, partners and customers to assist us in delivering ever higher standards. Gaining and maintaining these quality benchmarks is important for us as an organisation and for our market reputation. At QA, the learning experience is increasingly a journey of which the classroom forms only a part, so FY19 also saw much more focus on improving the entire student experience, from recruitment of students through to academic delivery, to student support and careers.

Education is primarily about trust, and we know the whole of QA has to work together to ensure we deliver on the highest standards for all our learners.

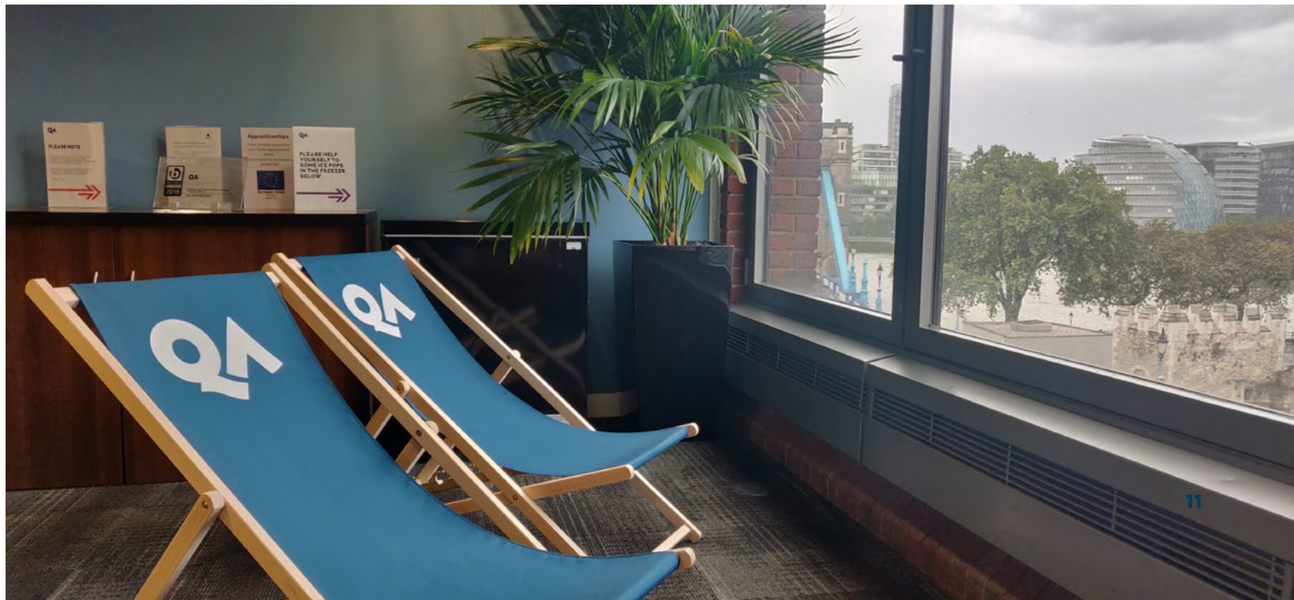
We continue to invest in world class facilities.

This year, we contracted for an additional 18,000 sq. ft of new teaching and office space in International House in London; once complete we will occupy three floors of this building. We also extended our presence in Manchester, transforming an additional floor in our Oxford Street premises into a multi-purpose teaching and event space.

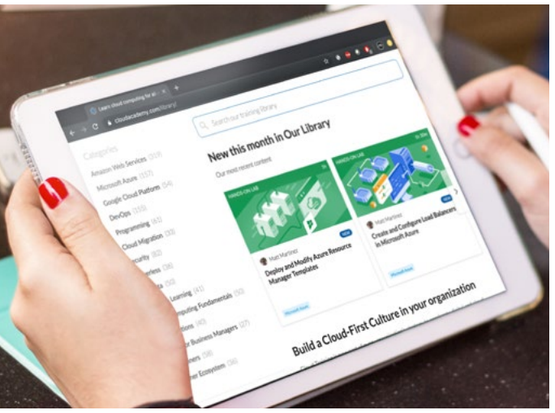
INVESTING IN LEADING-EDGE CONTENT AND DELIVERY MECHANISMS

Employers are faced with some significant and far-reaching challenges when it comes to skills and talent. The modern workforce is changing at an unprecedented pace with significant skills shortages. (91% of UK organisations report they are struggling to find workers with the right skills). This is especially true in the tech space, and exacerbated when digital transformation is wholly, and often quickly, changing the mix of skills an employer requires. (64% of employers lack the staff required for digital transformation).

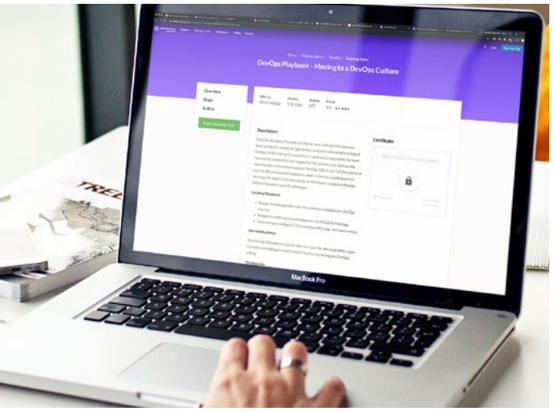
We invested in 18,000 sq. ft of new teaching and office space in London.



We acquired Cloud Academy in 2019 – a leading digital skills platform.



Together, we now offer clients the world's first truly blended learning solution – blending in-class and digital content into a seamless learning experience.



Content currently covers Microsoft Azure, Amazon Web Services, Google Cloud Platform, cyber security, DevOps, agile development, big data and more.

Increasingly over the year, QA's model and services have evolved to move beyond developing talent to also help organisations attract and retain it as well. Furthermore, we help our customers attract new talent through 'recruit-to-train' programmes.

The tech sector recruitment pool is too narrow. During the year, we worked with our customers to address the lack of diversity in tech – just 17% of those working in the sector in the UK are female. Along with our customers we are keen to lead initiatives to tackle this through talent attraction, re-training and continuous development.

To attract the right staff and remain competitive our customers work with us to bolster their own recruitment activities. We enrolled over 7,000 learners onto one of our 17 apprenticeship programmes this year and our graduate bootcamp model trained more than 100 STEM graduates for deployment into client sites.

We worked with a number of customers in the year on bespoke skills solutions in digital transformation and training. There's a lack of tech skills available on the open market, so in a bid to support larger customers to successfully address this we've worked with 3rd party partners and leveraging our wider customer base – to deliver complex projects that will not just help our customers but the wider community too.

"The NCSC's CyberFirst initiative is a bold and innovative development/bursary programme aimed at supporting and developing the UK's cyber security talent and helping to address the cyber skills gap as well as improving diversity in the cyber security sector."

Chris Ensor – NCSC's Deputy director of Cyber Skills and Growth

One such project is our work with Sky to deliver a technical retraining programme that is offered free-of-charge to anyone impacted by the Grenfell disaster. The programme commenced in September 2018 and we worked with a number of Sky partners to co-deliver it.

Another similar project is our continued work for the National Cyber Security Centre (NCSC) delivering the CyberFirst Programme. The programme involves a number of partners and organisations and it aims to develop the next generation of cyber professionals. The high-profile project featured in a number of national news stories and even attracted royal attention with the Queen meeting some of our CyberFirst learners in February.

The programme included 24 x 5-day CyberFirst Summer residential events deploying 96 QA delivery staff within an 8-week period to deliver a first-class learning experience to 1,200 14-17 year olds with the aim of inspiring them to go on to pursue careers in cyber and tech..

As we continue to develop data literacy programmes, we formed a collaboration with the data experts, Carruthers and Jackson. The collaboration allows us to work with organisations to improve their data maturity and to promote Data Literacy and Data Maturity programmes to organisations throughout the UK. Together we provide market-leading data learning solutions from whole-organisation data awareness, through deep learning for data professionals in Data Analysis and Data Science, to Data Leadership training for CDOs, CIOs and board level members.

We have recently leveraged this partnership to deliver training to the Ministry of Justice who were looking to raise the capability of staff with data protection responsibilities.

During the year, we broadened our blended learning offer to help our customers create a self-learning culture, driven by a desire to offer staff continuous learning across their lifetime.

* Source: 2018 Employer Skills Survey

Since 2016, well over 5,000 students aged 11-18 across the UK and NI have attended CyberFirst development opportunities.

The acquisition of Cloud Academy in June meant we could combine our catalogue of over 1,250 courses and certification tracks with a leading enterprise technology training platform and seamlessly blend classroom learning with an intuitive digital platform supporting the self-learning culture our customers need. This means we can train teams online via a truly innovative digital platform, significantly shifting the way in which corporate training is delivered.

ATTRACTING AND RETAINING THE BEST TALENT IN OUR ORGANISATION

QA employees are amazing. It has been a privilege to lead an organisation that is full of such talented and dedicated people. For our staff to thrive and continue to drive our business, we need to ensure that we attract – and then retain – the right people with the right skills into our organisation.

Our ability to retain our people is crucial to the ongoing success of our business; this means that we put in place policies to support our staff when they are in need.

We now have over 2,000 full-time employees with the average tenure at nearly four years. The average tenure of our managers is seven years and our top 100 managers have over 1,400 years of service between them.

Our people like working for QA. This is due, in part, to our range of initiatives that show their commitment and talent are appreciated.

A highlight of my year is working with the senior team to award the Club Excellence winners – our way of recognising staff who are extraordinary. More than 450 of our people were nominated this year for these awards. I am inspired by the many who live and breathe QA values.

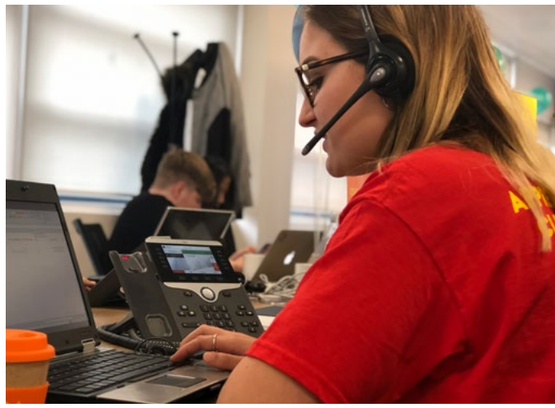
Sometimes our people may need us on a personal level. As a knowledge-based, high-performance business, our people must drive themselves to be the best for our customers. People who are more socially connected to family, friends, colleagues, or their community are happier, physically healthier and live longer with fewer mental health (MH) problems.

In the year we launched our Listening Ear Service to support our people. We recruited 100 volunteers from across the country as 'approved listeners' – people who are passionate about MH. We support our people by listening, sharing information, and supporting well-being.

We also put the maxim 'a healthy mind in a healthy body' into practice by trialling yoga classes in our Manchester and London centres. Some 70 of our people took part across our offices.

In support of our people, we recognise the life-changing experience of becoming a parent. During the past year we have enhanced our maternity policy going well-beyond the statutory requirements.

Our Thank You lunch takes place quarterly and rewards high levels of customer service.



Our Listening Ear Service is comprised of 100 staff volunteers. These 'approved listeners' have been trained to act as the 1st port of call for fellow employees who need a listening ear.

We launched a staff-run employee podcast series this year – which explored numerous topics centred around mental health and wellbeing.

FOCUSSED ON THE FUTURE

In September 2019 I announced that I would step down as CEO of QA after 11 years in the post.

After another year of financial success, the broadening of our offering to incorporate blended learning and with the new brand launch complete, it felt like a good moment for a change.

I'm delighted that the board of directors chose Paul Geddes as my successor as CEO.

While QA is an organisation with a rich legacy, I am confident its best years are ahead and I look forward to supporting Paul with this in my role as Non-Executive Director.

QA today is very different from 2008 when I started. We are lucky to have so many people who work so hard and have such high personal standards. For me it has been a truly wonderful journey with very many great people. I am immensely proud of our record as we have transformed QA into one of the UK's leading educational businesses, known and respected across the spectrum. In doing so, we have enriched many thousands of lives.

William Macpherson
Non-Executive Director

CEO STATEMENT

PAUL GEDDES

I am really excited to have joined the QA team this year. It's clear to me that this is a really successful business with a market-leading position in digital education and exciting growth areas. 2019 was another great year for the business.

QA is uniquely placed to help companies and individuals flourish in the digital age by combining our strengths in learning, apprenticeships, higher education and consulting to create new propositions and opportunities, and build a world-class, UK-based tech business which will play a key part in developing the competitiveness of UK plc. The recent acquisition of Cloud Academy in the US is a sign of this intent.

For me personally, this role combines passions for digital transformation and developing talent which have been common features of many of my jobs over the years, and I'm looking forward to bringing my experiences together with everyone at QA to make the most of this huge opportunity.

I would like to thank William for his 11 outstanding years leading the Group and making it what it is today. It will be great to have his expertise and knowledge on the QA Board going forward.

Paul Geddes
CEO

OPERATIONAL KEY PERFORMANCE INDICATORS

AIM 1: PROVIDING THE HIGHEST QUALITY EDUCATION AND TRAINING 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 80% of learners would recommend us.
(2018: 54)

EMPLOYERS

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

KPI

Average employer NPS was:

55

meaning over 90% of employers would recommend us.
(2018: 56)

REGULATORS

Ensuring national quality standards are met

KPI

Ofsted Outstanding Provider.

Succesfully QAA reviewed.

AIM 2: 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.

AIM 3: ATTRACTING AND RETAINING THE BEST TALENT

2,001

staff members
(2018: 1,772)

372

staff shareholders
(2018: 258)

7

year average manager tenure
(2018: 7)

THE BOARD

THE BOARD

We have an experienced and ambitious Board bringing diversity and strong leadership skills to the Group.

The Board are responsible for our strategic and long-term success and oversee the day-to day running of the Group.

SIR CHARLIE MAYFIELD
CHAIRMAN

Appointed: November 2017

Charlie joined QA as Chairman in November 2017.

As well as his work with QA, Sir Charlie is also Chairman of the John Lewis Partnership (JLP).

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
CEO

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 and diversity.

NATHAN RUNNICLES
CFO

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.

LISA HARRINGTON
MANAGING DIRECTOR - LEARNING

Appointed: March 2018

Lisa joined QA as Managing Director for Learning in March 2018.

Following a university career in Ireland and Austria, Lisa started her work life as a teacher. She moved on to Accenture where she spent a decade helping customers deliver transformation and technology programmes. In 2007 she moved to Telecoms and spent a decade with BT, where she held a range of technology, transformation and people roles – including her final leadership role as the Group Chief Customer Officer. She is passionate about diversity and has created a legacy of diversity initiatives, particularly for females in STEM.

Lisa studied at University College Dublin. She has an undergraduate degree in Politics, German Language and Literature. And she has a postgraduate degree in Business Studies.

BEN PIKE
MANAGING DIRECTOR - APPRENTICESHIPS

Appointed: March 2008

Ben's been one of our Managing Directors since September 2008.

Prior to this he was Operations Director and Learning Services Director at Xpertise. He helped build Xpertise into a leading learning business. When Xpertise merged with QA he took on a new senior leadership role and established QA's Managed Learning Services operation.

In 2008 Ben was appointed as Managing Director of Apprenticeships.

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THE BOARD

STUART MARTIN

MANAGING DIRECTOR - CONSULTING

Appointed: June 2008

Stuart joined QA in February 2000 as an Account Manager, and is now one of our Managing Directors.

Five years after joining QA, he became Sales Director. He led our sales operation when QA merged with Interquad, Xpertise and Remarc. In 2018, Stuart became Managing Director. He now leads Consulting.

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

JULIE NOONE

MANAGING DIRECTOR - HIGHER EDUCATION

Appointed: March 2014

Julie joined QA as Managing Director in March 2014.

Julie qualified as a Chartered Accountant and Chartered Tax Advisor. She then, moved to BPP Professional Education to lecture in tax and law. She moved to Hong Kong as Managing Director of Kaplan (Asia Pacific). She delivered professional education in their Asia Pacific region. After this, Julie returned to London with Kaplan – to become Chief Operating Officer for Kaplan UK.

WILLIAM MACPHERSON

NON-EXECUTIVE DIRECTOR

Appointed: June 2008

William was appointed as Non-Executive Director in September 2019.

Prior to this, William was CEO of QA for 11 years delivering an average annual profit growth rate of 35% and successfully building QA into the largest digital education and skills provider in the UK.

Prior to QA, William was CEO of Kaplan Professional, Inc. And, he has an MA in Law from Cambridge University and an MBA from INSEAD.

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

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.

LEARNING AND DEVELOPMENT

As a learning business, we practise what we preach, providing our people with opportunities to develop their skills and create successful careers with us.

We invested in our people with over 6,000 days of employee learning and development, delivering over 43,000 hours of training to our people in 2019.

All of our people are actively encouraged to take advantage of the wealth of training and development programmes our business offers out to the market.

Annual appraisals offer a formal opportunity to discuss growth and development and our people are expected to come prepared with recommendations on which training programmes they would like to participate in and how it will develop them.

All our people also benefit from access to three days of free training per year in any subject area they choose and are able to pick this from our catalogue of public-schedule programmes.

These training days can be completely unconnected to our people's role – it is offered as an added benefit to encourage personal development.

Growing our management capability is key to our future success and longevity and so this year we introduced a staff Leadership and Management apprenticeship programme – a 12 month programme which included assignments, exams and an ILM certification. The first cohort completed the programme with a 100% distinction pass rate.

2019 culminated in more than

6,000 days

and over

43,000 hours

of training and development for our staff.

NEW TALENT

A business like ours relies almost exclusively on its people and we're lucky to attract some brilliant people to work for us.

In the last 12 months we've continued to invest in new talent, hiring new people into the business to better serve our customers.

We know that hiring apprentices and other people into 'learn and earn' roles is a proven way to build a skilled talent pipeline. 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.

To show our commitment to this, in 2019 we joined The 5% Club - and pledged to have 5% of our workforce in 'earn and learn' roles within five years. We joined with more than double the required 5% commitment (at 12%) and so have set our sights on continuing to increase those in "earn and learn" roles in the coming years.

EMPLOYEE ENGAGEMENT

We want all of our people to love working for us. A big part of realising that ambition is ensuring that all employees understand the contribution they make to the business in achieving its professional, social and financial objectives.

We achieve this through a combination of digital and face-to-face communications including our monthly internal magazine 'Exposure', regular 'Breaking News' email updates, a calendar of group and regional internal events – such as our management roadshows – and our annual Management and Shareholder conferences.

Our people are encouraged to have a voice and share their ideas for how we can improve as a business. They help to shape and develop our approach with the feedback that they give us.

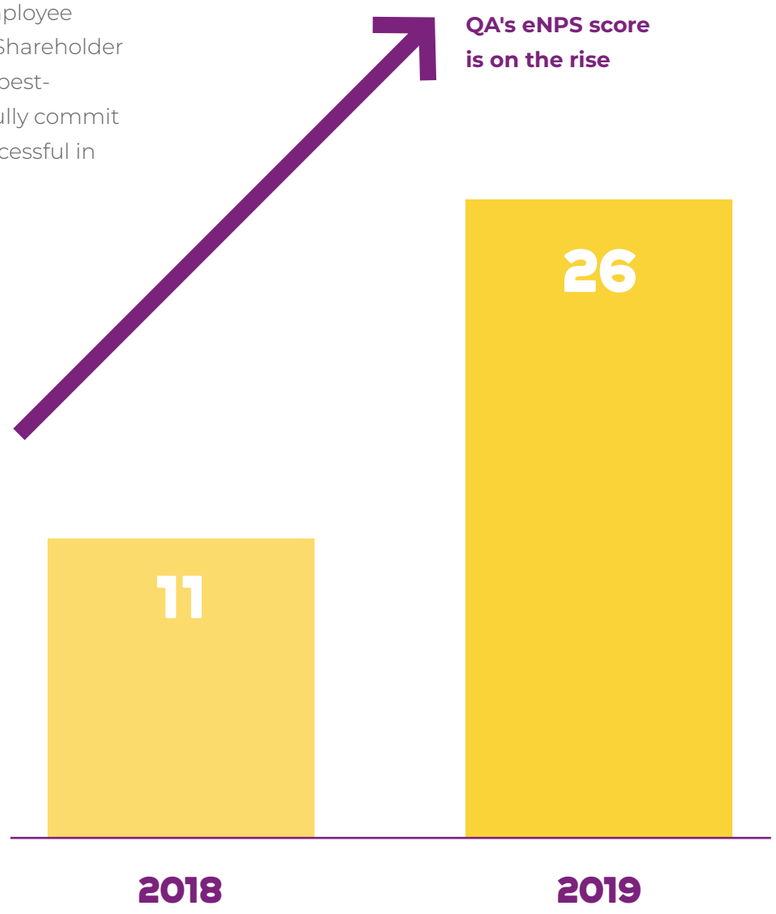
Whilst we encourage this ideas-sharing informally throughout the year at events and via our management community, we also formally seek it out in our annual employee engagement survey. This year's results showed an increased level of engagement across the Group with an improved employee NPS (eNPS) score of 26 (2018: 11), an 15 point increase on previous year, and overall participation at 82%. A breakdown of results is shared with the teams at each centre leading to team and centre-specific action plans.

We believe that a contributing factor to our improved eNPS score is our investment in employee engagement. This year we hosted a two-day management conference which balanced traditional business updates and skills development with some fun – including an early morning Zumba class.

We ran a regional Management Team roadshow in May which saw key members of the leadership team getting out on the road to meet and speak with as many of our employee base as possible. Over 1250 employees attended one of the 15 roadshows where they were provided with an update on our business performance and an overview on future goals. The events concluded with a live interactive Q&A – giving employees a platform to ask questions and share experiences.

In March 2019 we held our a shareholder conference – bringing together new and existing shareholders from the Group. Throughout the year 5% of the Group's workforce were invited to join the shareholder scheme, increasing the number of total shareholders to over 370. Our share scheme is important to us – it establishes a real sense of employee ownership and accountability. Shareholder employees set the standard in best-practise behaviour at QA and fully commit to making the Group more successful in everything they do.

QA's eNPS score is on the rise



EMPLOYEE ENGAGEMENT

REWARD AND RECOGNITION

We have two annual reward programmes which collectively cover all of our employee base – one for our sales teams and a second for our operational and support teams.

Club 110, celebrates the very best in our sales teams – rewarding those that make in excess of 110% of their annual target with a summer trip. Previous trips have included New York, Iceland and Palma.

In addition to sales performance there are many examples of first-class customer service and outstanding delivery across the Group and Club Excellence provides an opportunity to recognise and celebrate the best examples of this.

Nominations are made internally and this year we received almost 400 nominations across the Group, nearly a 50% increase on the previous year.

To ensure we covered our entire employee base we created 12 categories, representing each non-sales business area with 48 award winners. The winners were invited for a day out, hosted by William and the executive team, this included a champagne reception, dinner and tickets to see Disney's Aladdin.

Our monthly Thank You initiative is designed to complement our annual Club 110 and Club Excellence awards, recognising people that go above and beyond for their customers (be they internal or external). Open to everyone, the monthly Thank Yous are judged and awarded by William (now Paul). Winners are treated to vouchers and an invitation to a winner's lunch. This year we opened up the judging panel to include previous winners from across the Group. Throughout 2019 the initiative attracted over 1,000 nominations.

WELLBEING

Wellness is about supporting our people's whole selves. Creating the opportunities and space for employees to look after their physical, emotional and mental wellbeing.

In addition to our Employee Assistance Programme, which supports physical, mental and financial wellbeing, this year we launched the Listening Ear Service, an employee-volunteer-led initiative to support and raise awareness of mental health in the workplace.

Since its launch we've trained 136 Approved Listeners, across QA's centres who are available should someone need to talk. The online training covered general mental health awareness, managing mental health and stress awareness and management. The role of the Approved Listeners is to listen and signpost support and help for those who need it.

In March, the Approved Listeners, along with mental health expert Free Choices, produced a series of podcasts to discuss and share experiences of mental health in the workplace. We have also continued to invest and increase the number of fully qualified mental health first aiders and now have five across the Group.

We recognise that our people managers need support in this area and in April we launched a mental health awareness guide for managers, which provides guidance, support and additional resource on how to manage an employee with mental health challenges. We're committed to having the same number of qualified mental health first aiders as we do for physical first aid by 2020.

This year's Club 110 winners celebrated on a trip to Spain.

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

Every one of our people should be able to be themselves at work. We work to promote and ensure equal opportunities for all of our people.

QA Diversity Network

This year we formed The QA Diversity Network – a group of individuals from across the business, all united by a passion for fostering, promoting and driving the diversity agenda across QA. The Group initially came together in March to celebrate and mark International Women's Day.

They launched a Group-wide social media campaign – which achieved over 12,000 social views and high engagement levels – to celebrate the achievements of women and shine a light on the need to build a more equal society. The campaign included real-life stories from our people and our learners.

In the coming year The QA Diversity Network will be focussed on delivering on a number of core aims including making QA an employer of choice for the LGBTQ+ community and creating a female networking and mentoring group.

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 one of our people 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.

Tackling Tech Sector Diversity

QA operates within the UK tech sector. It is a sector that has a diversity problem and we are taking that problem very seriously. So seriously in fact that we have taken matters into our own hands with a number of inclusion initiatives including our Teach The Nation To Code events.

Teach The Nation To Code

We've made it our mission to get more kids into tech. Our Teach the Nation to Code events are free, fun and they run up and down the country. They are 1 day coding workshops, targeted at sixth formers, career changers and graduates. They aim to inspire young people to pursue careers in tech and software development. Since launching, we've hosted six weekend workshops in Cardiff, London, Bristol and Newcastle. Training and developing over 200 learners, of which 47% were female. We have a healthy schedule of events planned for the next 12 months.

"Educational investment, such as these free Teach the Nation to Code programmes, that address the skills gaps in the local, regional and national economy are vital to the UK industrial strategy and social mobility."

Chi Onwurah – Shadow Minister for Industrial Strategy

Group-wide social campaign: Balance for Better

FORGING A GENDER-BALANCED TECH SECTOR

Only 17% of UK tech workers are female. We're on a mission to change that. There are a number of other amazing organisations that share that same mission. We are working together to help make a difference.

We have partnered with the Women in Technology (WIT) Network to offer our learners' access to one of the most powerful and largest independent female networks in the world. WIT encourages its members to share ideas, challenge the status-quo and work to encourage more girls to study STEM subjects.

We are also proud to be partnered with Girls Talk London who support women aged 16-30 to achieve their career goals. They run programmes which help to develop their students business, leadership and digital skills. QA then connect Girl Talk London graduates with career opportunities in the tech sector.

QA is also an active signatory member of the Tech Talent Charter (TTC). Members pledge to take concrete steps forward to increase diversity in the sector recruitment. Through its research and public events the TTC brings together industries and government bodies to drive diversity and address gender imbalance in technology roles.

THE WIT NETWORK

GirlsTalk LONDON

TECHTALENT CHARTER:

GENDER PAY GAP

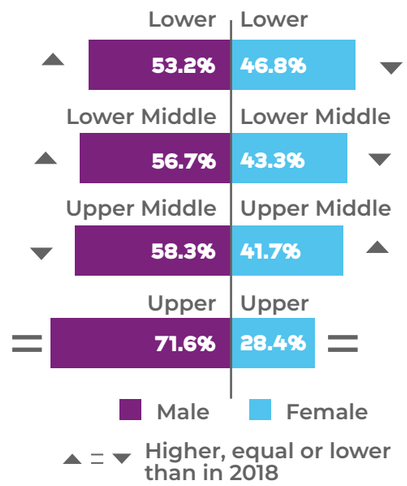
We are pleased that our efforts have reduced the QA gender pay gap – both for the mean and median averages. The QA Group pay gap positions us more favourably than the average UK business – as reported by McGuiness & Pyper in The Gender Pay Gap, House of Commons Briefing Paper.

However, we acknowledge that there is still more to do to achieve total gender parity.

We operate a fair and transparent recruitment process. Job offers are made to the best qualified and most suitable candidates. Males and females are afforded equal opportunities once employed, with annual performance review and promotion decisions being based on merit within the bounds of affordability. We recognise that our efforts require an on-going commitment to positive change if we are to foster an even more inclusive culture than we have today.

Pay Quartiles

Distribution of males and females in each pay quartile for the Group:



Pay Gap

The gender pay gap is defined as the difference in average pay between males and females:

Mean Pay Gap: 13.6% (2018: 17.7%)

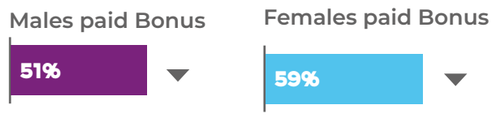
Median Pay Gap: 10.7% (2018: 17.1%)

Bonus Gap

Bonus includes commission and other variable pay elements.

Mean Bonus Gap: 17% (2018: 35%)

Median Bonus Gap: 47% (2018: 76%)



A RESPONSIBLE BUSINESS

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

We continue to make business improvements across to Group to become an even more greener business.

ENVIROMENTALLY RESPONSIBLE

Climate change is a big challenge for tomorrow's world. We take our role in this very seriously and encourage green initiates across the entire business. We have been reaccredited to ISO 14001 for effective environmental management system.

We continue to contribute to protecting the environment around us. Our 'Don't Bin A Good Thing' initiative has reduced the number of disposable cups by 38% across all of our centres in 2019, saving an estimated 280,000 cups per year. All employees were issued with a reusable thermal cup this year and 20% of our centres do not use disposable cups at all – we aim to get this to 100% over the coming year.

Through our recycle initiative, last year we saved 1,044 trees and over 140 square metres of landfill. All of our centres are equipped with confidential waste paper recycling bins and this year we introduced multi-recycling bins in 80% of our centres. We aim to get this to 100% over the coming year.

We're committed to reducing the effects of our business on the environment, especially when it comes to business travel and our travel energy consumption. We track our energy usage. All refurbished and new centres have PIR's for lighting installed and air conditioning is monitored remotely.

We've also reduced the need for unnecessary business travel, through the use of technology, and encouraging the use of more sustainable forms of transport across the Group. Our existing travel policy means we have influence over how and when our people travel.

As we head into 2020 our aim is to create a centre of excellence to reduce our carbon footprint. In locations where we have multiple office spaces we will merge into one energy-efficient centre, reducing our operational footprint. We will merge three centres in 2020, reducing our operational footprint.

2019 in numbers:

1,044

Trees saved.

140

Square metres of landfill saved.

38%

Reduction in the number of disposable cups used.

280,000

Disposable cups saved.

MODERN SLAVERY

We are fully committed to respecting the human rights of our employees and to complying with all applicable laws regarding, among other things: providing compensation and benefits that are competitive and comply with applicable minimum wages, overtime hours and mandated benefits, promoting workplace diversity, promoting health and safety practices, promoting ethical behaviour and business integrity, protecting the privacy of employees and prohibition of child, forced, bonded or indentured labour.

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 stand by our zero-tolerance approach to modern-day slavery and human trafficking. Our Modern Day Slavery Statement, published annually, publically shares our commitment and sets out the steps we've taken to ensure there is no modern-day slavery in our business or supply chains.

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.

We continue to support and invest in our local communities through the donation of technology and furnishings. This year we donated 242 desktops and 307 monitors to Camara Education, providing vital IT equipment for schools in Africa.

We also support schools closer to home – providing surplus desks and filing cabinets to special learning school, Egerton Rothsay, in Berkhamsted.

As we continue to invest in our centres we're conscious of reducing our impact on landfill – in the last 12 months, with the large refurbishment in two of our centres, we donated unwanted furniture, fixtures and fittings to The Samaritans and The Citizens Advice Bureau.

In addition to these donations we've provided financial benefit to local causes and groups through volunteering. Employees benefit from two volunteering days per year, giving them the chance to give back and support causes they love, in total our people gave 622 hours' worth of time in 2019.

Handing over our fundraising cheque to CentrePoint

ANNUAL CHARITY PARTNERSHIP

As well as strengthening our internal community and creating some healthy competition (as different regional teams battle it out to see who can raise the most) our charity partnership focuses our fundraising efforts to have a positive lasting impact on the lives of hundreds of people across the UK.

Through a year-long fundraising calendar, including a group-wide sponsored Sleep Out, the Group raised £42,000 for Centrepoint, a youth homelessness charity. To help us achieve this, every one of our centres has a charity working group -made up of employee volunteers, who drive regional and local activities.

In May 2019, the Group announced a new charity partnership with 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 has 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.

The partnership also brings together volunteering and fundraising – a first for QA. Employees are encouraged to invest their time (up to 1.5 hours per week) in local schools, reading to children to help improve their literacy. This is in addition to the existing two days a year volunteering benefit.

The Group would like to see around 10% of its workforce volunteering with Coram Beanstalk on a regular basis and also aim to raise at least £50,000 during the course of the next 12 months to help the charity continue to expand its vital work in tackling the literacy skills gap to support a future skilled workforce.

Our people 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.


Launching our charity partnership with Coram Beanstalk

FINANCIAL REPORT

CFO STATEMENT

NATHAN RUNNICLES

QA is one of the UK's leading digital education and skills providers 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.

The recent acquisition of Cloud Academy adds a leading digital training platform and enables QA to integrate classroom and online capabilities to offer clients a unique blended learning solution.

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 skills.

In higher education we offer, through our university partnerships, degree courses to

"The Group has seen a strong increase in revenue, driving another record year of EBITDA."

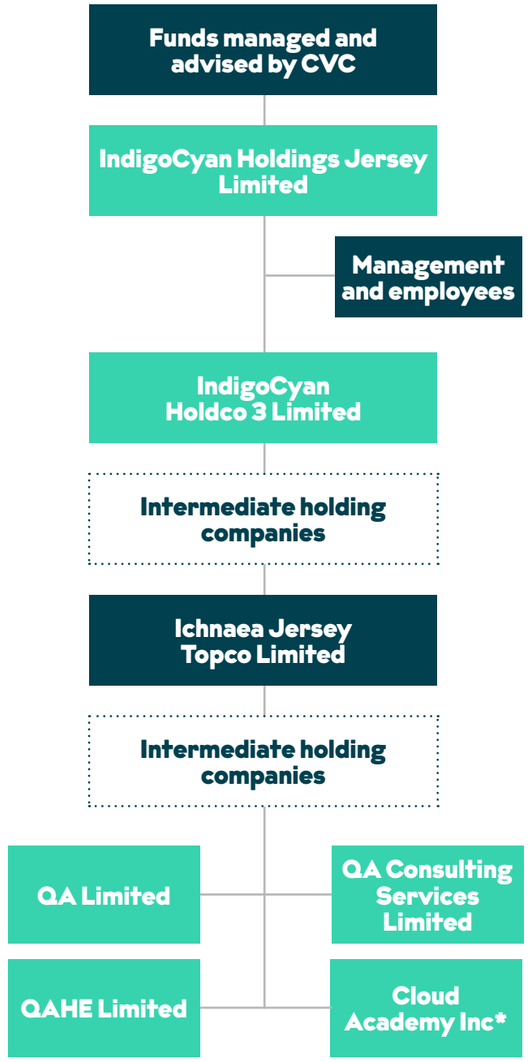
domestic and international students at our campuses in London, Birmingham and Manchester. We deliver industry-focused IT and business courses, ranging from foundation programmes through to post graduate degrees, that focus on developing key employability skills.

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 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.

The accounting reference period of the Group is 31 May and the 2019 financial year ended on 31 May 2019 (in 2018 it was 1 June being the Friday nearest to the 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.



* Acquired post year end

TRADING PERFORMANCE

Table 1 below sets out the Group's summary income statement for the year ended 31 May 2019 and compares it to the year ended 31 May 2018 which comprises the audited results for forty nine weeks and the unaudited three weeks prior to acquisition, to present a full prior year of trading results.

The reconciliation of Adjusted EBITDA, a non-IFRS measure, to the loss for the year, is set out in Table 3.

The Group's full year revenue increased by 10.4% to £279.6m (2018: £253.3m).

The core activity of the Group, the provision of training services to over 5,000 clients, accounted for approximately 60% of Group revenue and grew 6% in the year. Across the rest of the Group's activities there were strong revenue performances in apprenticeships and higher education, where the average number of students grew 43% and 24% respectively, which helped offset the revenue impact of expiring contracts that saw deployed consultant numbers reduce.

Gross profit increased by 8.4% as the group made short-term investments to support the rapid learner growth in apprenticeships education and to maintain quality of service, reducing gross margin in the year.

Operating expenses (being administration expenses before exceptional items and amortisation of acquired intangibles) increased to £86.4m (2018: £68.1m) reflecting the Group's investment in people and training facilities to support its growth. Our average headcount (including trainers, tutors and coaches which are reported within Cost of sales) increased to 2,001 in 2019 (2018: 1,772).

Despite the increase in costs, Adjusted EBITDA for the full year increased 10% to £67.5m (2018: £61.4m) with an Adjusted EBITDA margin of 24.1% (2018: 24.2%).

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.

ADJUSTING ITEMS

Table 3 on the following pgae 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 non-recurring costs.

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.

Exceptional costs in the year primarily relate to the impairment of goodwill for Apprenticeships and Consulting along with acquisition costs (see Note 4).

As the Group has adopted IFRS16, we present Adjusted EBITDA before deducting both the lease depreciation and lease interest expenses of £6.0m (2018: £4.5m) and £2.0m (2018: £1.6m) respectively in the year.

REPORTED RESULTS

On a reported basis for the year ended 31 May 2019, as set out on page 68, the Group had revenues of £279.6m (2018: £240.0m) with an operating loss of £85.2m (2018: profit of £21.0m).

The loss before tax for the year is arrived at after deducting net finance costs of £64.5m (2018: £55.9m), attributable to the Group's senior credit facilities of £320.0m, its revolving credit facility, of which average drawings in the year were £10m prior to its repayment in March 2019, and shareholder loan notes of £438.2m at year end (2018: £397.0m).

The loss before tax and after tax for the year was £149.7m and £152.1m respectively (2018: £34.8m and £36.3m). This was impacted by impairment expense for the Apprenticeship and Consulting cash generating units ("CGUs") totalling £109.8m (2018: nil). The impairments were recognised following revisions to the forecast profitability for these CGUs due to performance shortfalls against plan in the year. Investments have been made to strengthen management teams and sales resources and action plans implemented to improve results.

Table 1 : Proforma financials

£'M	YEAR ENDED 31 MAY 2019	YEAR ENDED 1 JUNE 2018*	49 WEEK PERIOD 23 JUNE 2017 TO 1 JUNE 2018	3 WEEK PERIOD ENDED 22 JUNE 2017*
Revenue	279.6	253.3	240.0	13.3
Gross profit	140.4	129.5	122.8	6.7
Operating expenses	86.4	68.1	64.0	4.1
Adjusted EBITDA	67.5	61.4	58.8	2.6

* Unaudited

Table 2 : Key performance indicators

	2019	2018	2017
Revenue growth (%)	10.4	16.5	22.3
Adjusted EBITDA* (£'m)	67.5	61.4	49.6
Free cash flow (£'m)	46.4	43.1	36.7
Learning days (No.'000)	796	772	705

* 2017 is shown as proforma for IFRS as if it had been adopted on 1 June 2016

REPORTED RESULTS (CONTINUED)

The financial position of the Group is presented in the balance sheet on page 63 with a net liability of £200.2m (2018: £35.7m) at year end. The net liability has arisen due to the shareholder loans of £438.2m, inclusive of the interest accruing on them, coupled with the impairment charge of £109.8m (2018: nil). Under the terms of the shareholder agreement, the shareholder loan and accrued interest is not repayable until the loan redemption date of June 2047.

Total assets at 31 May 2019 were £728.0m (2018: £851.8m) comprising intangible assets of £587.4m (2018: £721.5m), property, plant and equipment of £48.9m (2018: £41.6m), other non-current assets of £1.9m (2018: £1.9m) and current assets, including cash, of £89.8m (2018: £86.8m). The decrease in the assets of the Group has arisen due to the impairment charge against goodwill of £109.8m.

Total liabilities at 31 May 2019 were £928.2m (2018: £887.5m) comprising bank borrowings of £320m (2018: £330.0m), other non-current liabilities (including shareholder loans and accrued interest) of £504.1m (2018: £450.2m) and current liabilities of £104.1m (2018: £107.3m). The Group's borrowings decreased as the revolving credit facility was repaid during the year.

CAPITAL RESOURCES

Our primary sources of liquidity consist of cash generated from operating activities, which amounted to £61.7m (2018: £47.9m) in the year ended 31 May 2019, and available drawings under the £65.0m Revolving Credit Facility (undrawn at the balance sheet date).

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 £61.7m (2018: £47.9m) in the year ended 31 May 2019. The growth in cash generation has been driven by growth in Adjusted EBITDA alongside strong working capital performance.

In the period ended 1 June 2018 there was a net cash inflow from financing activities of £656.2m due to the new debt arrangements that provided the proceeds used to fund the acquisition of the Group's subsidiaries, with net cash used in investing activities of £671.4m for the year, reflecting the cost to acquire the Group's subsidiaries.

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 5.0%. The Group has fixed the interest rate on £200.0m of the debt at a rate of 6.25%. Interest is paid on a quarterly basis.

In June 2017 the Group entered into the Revolving Credit Facility agreement, with

FINANCING FACILITIES (CONTINUED)

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 undrawn at the balance sheet date (2018: £10m).

The facility may be utilised for general corporate use, including acquisitions, and the working capital needs of the Group. The facility bears interest at a rate per annum equal to GBP LIBOR plus a current margin of 3.5% which is subject to quarterly 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.

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.

Table 3 : Adjusting items

£'M	YEAR ENDED 31 MAY 2019	YEAR ENDED 1 JUNE 2018*	49 WEEK PERIOD 23 JUNE 2017 TO 1 JUNE 2018	3 WEEK PERIOD ENDED 22 JUNE 2017*
Adjusted EBITDA	**67.5**	**61.4**	**58.8**	**2.6**
Depreciation and amortisation	(39.5)	(35.1)	(34.8)	(0.3)
Impairment	(109.8)	-	-	-
Exceptional costs	(2.8)	(2.8)	(2.8)	-
Finance income	-	0.1	0.1	-
Finance cost	(64.5)	(58.2)	(55.9)	(2.3)
Share based payment cost	(0.6)	(0.2)	(0.2)	-
Loss/profit for the for year before taxation	**(149.7)**	**(34.8)**	**(34.8)**	**-**

* Unaudited

MATERIAL CONTRACTUAL COMMITMENTS

Table 4 below, sets out the contractual commitments at 31 May 2019 that are expected to have an impact on liquidity and cash flow in future periods. 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's activities expose it to a number of financial risks and uncertainties including market, competitive, credit and liquidity risks.

MARKET RISK

Changes in the demand for the Group's services could arise from a number of market factors such as a future change in government policy towards funding for apprenticeships that disrupts demand for apprenticeship training, lower demand for training services due to Corporates reducing investment in developing their talent or a failure to attract EU and international students to our degree courses.

Management is continuing to monitor market developments in light of the outcome of the UK referendum to leave the European Union in October 2019 ("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. 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 2020, the current funding arrangements have been confirmed as remaining in place for the full duration of their multi-year courses. We have also started investing in our international (non-EU) recruitment channels to develop new markets that will help mitigate the impact of a Brexit outcome that reduces the UK's attractiveness as a destination for EU students.

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 *	-	-	-
Lease commitments **	9.7	27.6	37.3
Total	**9.7**	**347.6**	**357.3**

*£65m facility undrawn at the balance sheet date.

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

MARKET RISK (CONTINUED)

In addition, Brexit could also negatively impact the UK economy, lowering business confidence, reducing corporate investment and/or leading to a UK recession. Although the Group benefits from committed revenues in a number of it's activities, it would not be immune to the economic impacts of Brexit and could therefore experience a decrease in demand for its services.

To manage these market risks the Group invests significantly in broadening the services, courses and products it offers, expanding the client base and developing new partners to mitigate the impact of a performance issue in a particular trading activity or relationship.

COMPETITIVE RISK

The Group is highly passionate about the quality of its services and ensuring it meets the educational needs of its stakeholders, be that a client, individual employee, student or Government department.

With quality at the forefront of everything the Group does, as evidenced by our NPS scores, we are confident we will continue to deliver value to our customers that will sustain and grow our relationships despite the actions of competitors to try to erode our market share.

Each year we invest in new courses 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.

We have also invested in our digital capabilities through the acquisition of Cloud Academy, enabling us to adapt to demand for new ways of learning and offer new services to our clients.

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 for 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.

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, if 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.

DIRECTORS REPORT

The Directors present their report and the audited consolidated financial statements of the Group and the Company for the year ended 31 May 2019.

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. He remains on the Board as a Non-Executive Director.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 May 2019 (2018: nil).

POLITICAL DONATIONS

The Group did not make any political donations during the year (2018: 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 2019 were equivalent to 34 days' purchases (2018: 40 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.

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

On 7 June 2019, we acquired 100% of Cloud Academy Inc. a US-headquartered leading enterprise technology training platform specializing in Amazon Web Services, Microsoft Azure and Google Cloud Platform online learning. There is no earn-out.

In addition in July 2019, QA's subsidiary M2 Education (Hong Kong) Limited entered into an agreement to exit its education investment in the region.

GOING CONCERN

The Directors have considered the adoption of the going concern basis of preparation of these financial statements with consideration to the Group's business model and financing arrangements.

The Group has significant shareholder loans, primarily with the private equity firm that is its major shareholder. None of the shareholder loans are repayable in the foreseeable future, being a period of at least 12 month from the date of signing and approving these financial statements.

The Group has funding arrangements with its banks which include drawn term loans and an undrawn revolving credit facility of £65m which expire in June 2024 and December 2024 respectively. The Group has significant headroom against the financial covenants set out in the loan agreement.

The Group has long-standing agreements with many customers, and a leading position within its key corporate training market.

As a consequence, the Directors believe that the Group is well placed to continue to manage its business risks effectively in the current economic climate.

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 approval of 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.

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;

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

- 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
- 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.

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

27 September 2019

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 2019 and of the Group's loss and the Parent Company's profit 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";
- The Parent Company financial statements 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;
- The related notes 1 to 29 and the Parent Company notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and as issued by the IASB.

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

INDIGOCYAN HOLDCO 3 LIMITED

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

CONCLUSIONS RELATING TO GOING CONCERN (CONTINUED)

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's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or IndigoCyan Holdco 3 Limited or to cease operations, or have no realistic alternative but to do so.

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;
- 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.

Matthew Hughes

Matthew Hughes BSc (Hons), ACA
For and on behalf of Deloitte LLP
Leeds, United Kingdom
27 September 2019

Consolidated Income Statement and Other Comprehensive Income for the year ended 31 May 2019

	NOTE	BEFORE EXCEPTIONAL ITEMS 2019 £'M	EXCEPTIONAL ITEMS 2019 £'M	TOTAL 2019 £'M	BEFORE EXCEPTIONAL ITEMS 2018 £'M	EXCEPTIONAL ITEMS 2018 £'M	TOTAL 2018 £'M
Revenue	2	279.6	-	279.6	240.0	-	240.0
Cost of sales		(139.2)	-	(139.2)	(117.2)	-	(117.2)
Gross Profit		**140.4**	**-**	**140.4**	**122.8**	**-**	**122.8**
Administration expenses		(113.0)	(112.6)	(225.6)	(99.0)	(2.8)	(101.8)
Operating profit before amortisation of intangibles and exceptional items		54.0	-	54.0	48.8	-	48.8
Amortisation of acquired intangibles		(26.6)	-	(26.6)	(25.0)	-	(25.0)
Impairment of goodwill	4	-	(109.8)	(109.8)	-	-	-
Exceptional costs	4	-	(2.8)	(2.8)	-	(2.8)	(2.8)
Operating Profit / (Loss)	**3**	**27.4**	**(112.6)**	**(85.2)**	**23.8**	**(2.8)**	**21.0**
Finance income	6	-	-	-	0.1	-	0.1
Finance costs	6	(64.5)	-	(64.5)	(55.9)	-	(55.9)
Net finance costs		**(64.5)**	**-**	**(64.5)**	**(55.8)**	**-**	**(55.8)**
Loss Before Taxation		**(37.1)**	**(112.6)**	**(149.7)**	**(32.0)**	**(2.8)**	**(34.8)**
Taxation	7			(2.4)			(1.5)
Loss For The Year				**(152.1)**			**(36.3)**
Loss Attributable to:							
Owners of the Company				(152.1)			(37.6)
Non-controlling interests				-			1.3
				(152.1)			**(36.3)**
Other Comprehensive Income:							
Items that may be subsequently reclassified to profit or loss:							
Loss for the year				(152.1)			(36.3)
Total Comprehensive Loss for the Year				**(152.1)**			**(36.3)**
Profit Attributable to:							
Owners of the Company				(152.1)			(37.6)
Non-controlling interests				-			1.3
				(152.1)			**(36.3)**

Consolidated Statement of Financial Position as at 31 May 2019

	NOTE	2019 £'M	2018 £'M
Non-current assets			
Goodwill	9	338.0	447.5
Other intangible assets	12	249.4	274.0
Property, plant and equipment	13	48.9	41.6
Investment in associates	10	1.9	1.9
		638.2	**765.0**
Current assets			
Inventories	14	0.2	0.4
Trade and other receivables	15	53.2	53.7
Cash and cash equivalents	16	36.4	32.7
		89.8	**86.8**
Total Assets		**728.0**	**851.8**
Current liabilities			
Loan and borrowings	18	(9.7)	(15.2)
Derivative financial liabilities	20	(0.4)	(0.3)
Trade and other payables	17	(94.0)	(91.8)
		(104.1)	**(107.3)**
Non-current liabilities			
Loan and borrowings	18	(778.1)	(734.2)
Provision for liabilities	19	(6.3)	(0.5)
Deferred tax	21	(39.7)	(45.5)
		(824.1)	**(780.2)**
Total Liabilities		**(928.2)**	**(887.5)**
Net Liabilities		**(200.2)**	**(35.7)**
Equity			
Share capital	22	1.0	1.0
Share based payments reserve	22	0.8	0.2
Retained earnings	23	(201.3)	(40.3)
Equity attributable to owners of the Company		**(199.5)**	**(39.1)**
Non-controlling interests	23	(0.7)	3.4
Total Equity		**(200.2)**	**(35.7)**

The consolidated financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 27 September 2019. Signed on behalf of the Board of Directors by:

Nathan Runnicles
Director

Consolidated Statement of Changes in Equity for the year ended 31 May 2019

	NOTE	SHARE CAPITAL £'M	SHARE BASED PAYMENTS RESERVE £'M	RETAINED EARNINGS £'M	ATTRIBUTABLE TO PARENT COMPANY £'M	NON-CONTROLLING INTEREST £'M	TOTAL EQUITY £'M
On acquisition at 23 June 2017		-	-	-	-	2.5	2.5
Issue of share capital	22	1.0	-	-	1.0	-	1.0
Purchase of non-controlling interest		-	-	(2.5)	(2.5)	(0.4)	(2.9)
Share based payment		-	0.2	-	0.2	-	0.2
Loss for the year		-	-	(37.8)	(37.8)	1.3	(36.5)
Total Comprehensive Loss for the Year		**-**	**-**	**(37.8)**	**(37.6)**	**1.3**	**(36.5)**
As at 1 June 2018		**1.0**	**0.2**	**(40.3)**	**(39.1)**	**3.4**	**(35.7)**
Issue of share capital	22	-	-	-	-	-	-
Purchase of non-controlling interest	23	-	-	(8.3)	(8.3)	(4.1)	(12.4)
Share based payment		-	0.6	-	0.6	-	0.6
Loss for the year		-	-	(152.7)	(152.7)	-	(152.7)
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)**

Consolidated Statement of Cash Flows for the year ended 31 May 2019

	NOTE	2019 £'M	2018 £'M
Net cash inflow from operating activities	**29**	**61.7**	**47.9**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(8.4)	(3.8)
Acquisition of subsidiaries, net of cash acquired		(0.3)	(667.7)
Interest received		-	0.1
Net cash outflow from investing activities		**(8.7)**	**(671.4)**
Cash flows from financing activities			
Proceeds from additional debt		-	681.1
Issue of ordinary shares		-	1.0
Repayment of debt		(10.0)	-
Repayment of lease liabilities		(7.4)	(3.8)
Interest paid		(19.5)	(19.2)
Purchase of non-controlling interest	23	(12.4)	(2.9)
Net cash flow from financing activities		**(49.3)**	**656.2**
Increase in cash and cash equivalents		**3.7**	**32.7**
Cash and cash equivalents, beginning of year		32.7	-
Cash and cash equivalents, end of year		**36.4**	**32.7**

Notes to the consolidated financial statements
for the year ended 31 May 2019

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.

The cash flow statement has been represented to show the purchase of non-controlling interest in financing activities.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up for the year to 31 May 2019 (2018: 49 weeks to 1 June 2018). 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 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 2019. The Group has elected not to adopt early these standards which are described below:

- Annual Improvements to IFRS standards 2015-2017 cycle (Amendments to IFRS 1 and IAS 28) (effective date 1 January 2019);
- IFRIC 23 Uncertainty over income tax treatments;
- Long-term interests in Associates and Joint Ventures (Amendments to IAS 28); and

BASIS OF ACCOUNTING (CONTINUED)

- Prepayment features with negative compensation (Amendments to IFRS 9).

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.

REVENUE RECOGNITION

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.

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 clients with revenue streams arising from the training of apprenticeships, recruiting, training and deploying consultants, and the teaching of degrees in partnership with our University partners.

LEARNING / SKILLS LICENSES

Skills licenses sold to our training clients 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 recognized upon the delivery of training, as the performance obligation is satisfied. 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 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. For apprenticeships that require an End Point Assessment 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.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2019

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; Consulting and Accelerate. 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 client 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. Accelerate is when we recruit and train graduates for a specific client whereby the graduate would join the client 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.

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.

Neither the Group nor the customer have a contractual right to terminate the contract other than for non-performance. There are no other significant judgements required under current accounting to determine when and how revenue is recognised.

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 and the funding arrangement fees which were prepaid and are being amortised to the income statement over the length of the funding arrangement.

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

SHARE BASED PAYMENT ARRANGEMENTS (CONTINUED)

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.

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.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2019

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.

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 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 - 2 to 5 years; and
- Right of Use Asset - straight line over the length of the lease.

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 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).

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2019

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.

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.

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

LEASES (CONTINUED)

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;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as a the commencement date;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2019

LEASES (CONTINUED)

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.

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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost 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.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of

Classification of financial assets (continued)

the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

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 recognises 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.

However, for financial liabilities that are designated as at FVTPL, the amount of change

Notes to the consolidated financial statements for the year ended 31 May 2019

Financial liabilities at FVTPL (continued)

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 26.

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.

The Group, of which the Company is part, has significant debt, primarily with its major shareholder which manages and advises private equity funds. The majority of the debt is not repayable in the foreseeable future,

GOING CONCERN (CONTINUED)

being a period of at least 12 months from the date of signing and approving these financial statements. The Group has long standing agreements with many customers across the UK, and a leading position within its key markets as set out in the CFO statement. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully in the current economic climate.

The Group has funding arrangements with its banks which include drawn term loans and a revolving credit facility. These arrangements and appropriate financial covenants were negotiated in June 2017 and take account of financial projections which reflect the Group's trading expectation in the current economic climate.

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 approval of 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.

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 costs are recognised in the income statement in the period they are incurred.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for deferral. Deferred development costs, which have probable future economic benefits, can be clearly defined and measured, and are incurred for the development of new products or technologies, are capitalised. 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 £0.3m (2018: nil) of research and development expenditure.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements for the year ended 31 May 2019

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 judgements in applying accounting policies

There are no 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. 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.

Levy income

For certain courses funded by the Apprenticeship levy, an end point assessment payment is received from the relevant funding bodies upon completion of the course. However, revenue is recognised evenly over the period of the Apprenticeship. To account for the fact that some apprentices will not complete the course, and the final payment not be received, the Group makes a provision based on the expected withdrawal rate. A 5% increase in withdrawal rates would lead to an approximate £2.5m reduction in revenue.

2. REVENUE

All revenue was derived from sales in the United Kingdom. The Group's revenue is derived from the provision of services to customers.

3. OPERATING PROFIT IS STATED AFTER CHARGING:

	2019 £'M	2018 £'M
Depreciation - owned assets	6.6	5.2
Depreciation - right of use assets	6.0	4.6
Amortisation of intangibles	26.9	25.0
Training materials	7.8	7.0
Staff costs	99.6	76.3
Exceptional items (note 4)	112.6	2.8
The analysis of auditor's remuneration is as follows:		
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	0.1
Taxation advisory services	0.1	0.2
Other non-audit services	0.1	-
Total non-audit fees	**0.3**	**0.3**

*Fee is less than £0.1m

Notes to the consolidated financial statements
for the year ended 31 May 2019

4. EXCEPTIONAL COSTS

	2019 £'M	2018 £'M
Acquisition	0.8	2.6
Property	0.1	(0.6)
Strategic projects	1.6	0.4
Recruitment and restructuring	0.3	0.4
Exceptional costs excluding impairment of goodwill	**2.8**	**2.8**
Impairment of goodwill (note 9)	109.8	-
Total exceptional costs	**112.6**	**2.8**

Acquisition costs relate to the acquisitions of Cloud Academy Inc and Infosec (note 11). In the prior year they were related to the acqusition of the QA Group. Acquisition costs are irregular in nature and therefore treated as exceptional.

The property credit in the prior year related to a refund following a rate review. The current period cost relates to one off rent costs while one of the Group's major properties was undergoing a fit out.

Strategic projects relate to a number of non-recurring activities to invest in new products and strategic capabilities, invest in new systems and design new operational processes, which due to their nature have been treated as exceptional costs.

Recruitment and restructuring costs relate to strategic projects which due to their nature have been treated as exceptional costs.

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

The Group has benefited from a tax credit of £0.4m in respect of the exceptional costs (2018: £0.1m).

5. STAFF COSTS

	2019 £'M	2018 £'M
Wages and salaries	88.6	67.4
Social security costs	8.9	7.4
Other pension costs	2.1	1.5
Total staff costs	**99.6**	**76.3**

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

The average monthly number of employees during the period, including directors that are paid by the Group, was as follows:

	2019 NO.	2018 NO.
Learning, teaching and consulting services	945	844
Sales and administration	1,056	928
Total employees	**2,001**	**1,772**

Notes to the consolidated financial statements
for the year ended 31 May 2019

5. STAFF COSTS (CONTINUED)
DIRECTORS' REMUNERATION

	2019 £'M	2018 £'M
Directors' emoluments	0.8	1.7
Directors' pension contributions to money purchase pension schemes*	-	-
Total	**0.8**	**1.7**

*Cost less than £0.1m

Information regarding the highest paid Director is as follows:		
Emoluments	0.4	1.0

Number of Directors accruing benefits under:	2019 NO.	2018 NO.
Defined contribution scheme	-	-

Directors' emoluments include £nil (2018: £0.8m), and the emoluments of the highest paid Director include £nil (2018: £0.6m), paid on a one-off basis in respect of the cost of management advice received on the Company's acquisition by funds managed and advised by CVC.

The Parent Company

The Parent Company does not pay staff costs, as it has no employees. The Company has not made any payments to Directors during the period. 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.

6. FINANCE INCOME AND COSTS

Finance Income:	2019 £'M	2018 £'M
Bank interest receivable	-	0.1
Total interest receivable	**-**	**0.1**

Finance Costs:		
Bank loan interest	21.0	18.2
Interest on shareholder loan notes	41.2	35.1
Other interest	0.2	0.7
Interest on lease liability	2.0	1.6
Fair value movement on derivatives*	0.1	0.3
Total interest payable	**64.5**	**55.9**

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

7. TAXATION

Analysis of the tax charge.

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

Current Tax	2019 £'M	2018 £'M
UK corporation tax	7.3	5.8
Adjustment in respect of prior periods	0.9	(0.3)
Total	**8.2**	**5.5**
Deferred Tax		
Origination and reversal of timing differences	(5.0)	(4.4)
Adjustment in respect of prior periods	(0.9)	0.4
Effect of change of tax rates	0.1	-
Total	**(5.8)**	**(4.0)**
Tax on loss on ordinary activities	**2.4**	**1.5**

7. TAXATION (CONTINUED)

Factors affecting the tax charge.

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

	2019 £'M	2018 £'M
Loss on ordinary activities before tax	(152.1)	(34.8)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%):	(28.9)	(6.6)
Effects of:		
Ordinary expenses not deductible for tax purposes	12.9	10.1
Impairment of goodwill	20.9	-
Effect of other tax rates	(2.6)	(2.0)
Group relief	-	(0.1)
Effect of changes in tax rate	0.1	-
Adjustment in respect of prior periods	-	0.1
Tax on loss on ordinary activities	**2.4**	**1.5**

The Finance Act 2019 provides that the corporation tax rate will reduce to 17% with effect from 1 April 2020. The effect of this proposed tax rate reduction will be reflected in future periods.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements
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8. DIVIDEND PAID AND PROPOSED

No dividends have been paid or proposed by the Group or the Company (2018: nil).

9. GOODWILL

Cost	£'M
On incorporation	-
Arising on acquisition	447.5
At 1 June 2018	**447.5**
Arising on acquisition (note 11)	0.3
At 31 May 2019	**447.8**
Impairment	
On incorporation	-
Impairment losses for the year	-
At 1 June 2018	**-**
Impairment losses for the year	(109.8)
At 31 May 2019	**(109.8)**
Net Book Value	
At 1 June 2018	**447.5**
At 31 May 2019	**338.0**

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:

	2019 £'M	2018 £'M
Learning	217.3	217.0
Apprenticeships	44.7	91.9
Higher Education	36.0	36.0
Consulting	40.0	102.6
Total goodwill	**338.0**	**447.5**

The recoverable amount of each segment was determined based on value-in-use calculations, covering a 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 impairments being charged for the Apprenticeships and Consulting businesses to write down the value of goodwill by £47.2m and £62.6m respectively.

Recoverable amount of each CGU	2019 £'M	2018 £'M
Apprenticeships	87.4	123.0
Consulting	58.8	136.0

Growth rates

Beyond the three year forecast a long term growth rate of 3% per annum has been applied, in line with the target long term inflation rates expected for the sector.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements
for the year ended 31 May 2019

9. GOODWILL (CONTINUED)

Discount rates

The pre tax discount rates applied are as follows:

	2019 %	2018 %
Learning	11.5	9.0
Apprenticeships	11.5	16.8
Higher Education	11.5	13.8
Consulting	11.5	16.3

Sensitivity

The estimate of recoverable amount is particularly sensitive to the discount rate. If the discount rate used is increased by 1%, then the impairment for Apprenticeships is increased by £10.9m and Consulting by £6.1m. If operating cash flow increased/decreased by 5% then the impairment would be £8m lower/higher for Apprenticeships and £5m lower/higher for Consulting. Reasonably possible changes in performance would not result in impairments for Learning or Higher Education.

10. INVESTMENTS

Cost	INVESTMENTS IN ASSOCIATE £'M
On incorporation	-
On acquisition	1.9
At 31 May 2019 and at 1 June 2018	**1.9**

The Group's investment is in CPI Limited (Hong Kong) which is held through M2 Education (Hong Kong) Limited. Subsequent to the balance sheet date 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 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 while continuing to grow Cloud Acadmey's existing US customer base.

The costs incurred in relation to this acquisition of £1m were expensed to the Exceptional Items in the Income Statement during FY19.

The Group has undertaken a provisional 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	7.8
Current assets	
Trade and other receivables	0.6
Cash and cash equivalents	0.1
Total Assets	**8.5**
Current liabilities	
Lease liabilities	(0.1)
Trade and other payables	(0.5)
Deferred income	(2.1)
Non-current liabilities	
Provisions	(0.1)
Deferred tax	(0.6)
Total Liabilities	**(3.4)**
Net Assets	**5.1**

Notes to the consolidated financial statements
for the year ended 31 May 2019

11. ACQUISITIONS (CONTINUED)

Goodwill arising on acquisition	FAIR VALUE £'M
Consideration	14.1
Net assets acquired	(5.1)
Goodwill	**9.0**

The consideration of £14.1m was settled in cash. The fair value of the financial assets include receivables with a fair value of £0.6m and a gross contractual value of £0.6m.

The goodwill arising from the acquisition consists of the value of the workforce in the business and the benefit that the Group anticipates through selling its services and developing further digital products for its customers.

The Group acquired Infosec Skills Limited in December 2019, a provider of training services for £0.3m. The goodwill arising from the acquisition reflects the value of the workforce in the business.

12. OTHER INTANGIBLE ASSETS

	CUSTOMER RELATIONSHIPS £'M	TRADENAME £'M	CONTENT AND MATERIALS £'M	CAPITALISED DEVELOPMENT COSTS £'M	TOTAL £'M
Cost					
On acquisition of subsidiaries	277.0	19.0	3.0	-	299.0
At 1 June 2018	**277.0**	**19.0**	**3.0**	**-**	**299.0**
On acquisition of subsidiaries	-	-	-	-	-
Additions from development	-	-	-	2.3	2.3
At 31 May 2019	**277.0**	**19.0**	**3.0**	**2.3**	**301.3**
Amortisation					
On acquisition of subsidiaries	-	-	-	-	-
Charge for year	23.1	0.9	1.0	-	25.0
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 31 May 2019	**47.7**	**1.9**	**2.0**	**0.3**	**51.9**
Net Book Value					
At 1 June 2018	**253.9**	**18.1**	**2.0**	**-**	**274.0**
At 31 May 2019	**229.3**	**17.1**	**1.0**	**2.0**	**249.4**

Notes to the consolidated financial statements
for the year ended 31 May 2019

13. PROPERTY, PLANT AND EQUIPMENT

	RIGHT OF USE ASSETS £'M	SHORT TERM LEASEHOLD IMPROVEMENTS £'M	FIXTURES, FITTINGS AND EQUIPMENT £'M	TOTAL £'M
Cost				
On acquisition	35.3	6.4	5.9	47.6
Additions	-	0.8	3.0	3.8
At 1 June 2018	**35.3**	**7.2**	**8.9**	**51.4**
Additions	11.3	4.7	3.9	19.9
At 31 May 2019	**46.6**	**11.9**	**12.8**	**71.3**
Depreciation				
Charge for year	4.6	1.9	3.3	9.8
At 1 June 2018	**4.6**	**1.9**	**3.3**	**9.8**
Charge for year	6.0	3.0	3.6	12.6
At 31 May 2019	**10.6**	**4.9**	**6.9**	**22.4**
Net Book Value				
At 1 June 2018	**30.7**	**5.3**	**5.6**	**41.6**
At 31 May 2019	**36.1**	**7.0**	**5.9**	**48.9**

14. INVENTORIES

	2019 £'M	2018 £'M
Training material and goods for resale	0.2	0.4

In 2019, training materials of £7.8m (2018: £7.0m) were recognised as an expense during the period and included in 'cost of sales'. The value of inventories is stated after impairment for obsolescence of £0.1m (2018: £0.1m).

15. TRADE AND OTHER RECEIVABLES

	2019 £'M	2018 £'M
Amounts falling due within one year		
Trade receivables	26.7	30.7
Accrued income	18.4	15.2
Prepayments	8.1	7.8
Total	**53.2**	**53.7**

No interest is charged on outstanding trade receivables. Trade receivables are stated after a provision for impairment of £1.9m (2018: £1.1m).

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, £2.4m (2018: £1.8m) 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 trades receivables.

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

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. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group always 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 using a provision matrix 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, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

As at 1 June, the analysis of trade receivables and Lifetime ECL by risk profile is set out opposite:

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

	GROSS CARRYING AMOUNT 2019 £'M	LIFETIME ECL 2019 £'M	NET CARRYING AMOUNT 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**

	2018 £'M	2018 £'M	2018 £'M
Not past due	23.8	(0.1)	23.7
< 30 days past due	5.1	(0.2)	4.9
30 - 60 days past due	1.3	(0.1)	1.2
60 - 180 days past due	1.5	(0.6)	0.9
Total	**31.7**	**(1.0)**	**30.7**

16. CASH AND CASH EQUIVALENTS

	2019 £'M	2018 £'M
Cash at bank and in hand	36.4	32.7
Cash and cash equivalents	**36.4**	**32.7**

Notes to the consolidated financial statements
for the year ended 31 May 2019

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

	2019 £'M	2018 £'M
Amounts falling due within one year		
Trade payables	10.7	11.7
Social security and other taxes	7.3	8.7
Amounts owed to Group undertakings	1.6	0.2
Corporation tax	3.7	1.9
Other creditors	5.0	2.7
Accrued expenses	20.0	18.8
Deferred income	45.7	47.8
Total	**94.0**	**91.8**

Amounts owed to Group undertakings due within one year are repayable on demand and attract no interest. Other creditors includes £3.6m of payables to related parties. See note 28.

18. LOAN AND BORROWINGS

	CURRENT 2019 £'M	NON-CURRENT 2019 £'M	TOTAL 2019 £'M	CURRENT 2018 £'M	NON-CURRENT 2018 £'M	TOTAL 2018 £'M
Bank loans	-	312.3	312.3	8.5	312.3	320.8
Shareholder loans	-	438.2	438.2	-	397.0	397.0
Lease liabilities	9.7	27.6	37.3	6.7	24.9	31.6
	9.7	**778.1**	**787.8**	**15.2**	**734.2**	**749.4**

Current bank loans in 2018 presented a revolving credit facility, which was repayable within one year, and attracted interest at LIBOR + 3.75% (2018: 4.00%) during the year. The facility is available until 2023 and is undrawn at the year end. Non-current bank loans represent a term loan facility which is repayable in 2024, and attracts interest at LIBOR + 5.00%. Shareholder loans are repayable in 2047 and attract interest at a rate of 10.00%. Included within shareholder loans is accrued interest of £76.3m (2018: £35.1m). 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 2019

19. PROVISIONS

	DILAPIDATIONS 2019 £'M	DILAPIDATIONS 2018 £'M
At start of period	0.5	-
On acquisition of subsidiaries	-	0.6
Utilised in the period	(0.1)	(0.1)
Recognised in the period	5.7	-
Unwind of discount on provision	0.2	-
Total	**6.3**	**0.5**

The provision 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.

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.

Of the £5.7m recognised in the year, the Group has reallocated £3.2m of property accruals to the dilapidation provision and capitalised £2.5m of costs related to leasehold improvement restoration obligations.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 £'M	2018 £'M
Interest rate swap	0.4	0.3
Foreign currency forward contract	-	-
Total	**0.4**	**0.3**

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.

The Group entered into a forward contract to buy $17.5m to fund the anticipated purchase of Cloud Academy Inc. to reduce the Group's exposure to foreign exchange risk ahead of completion. The fair value of this at the balance sheet date is less than £0.1m.

21. DEFERRED TAX

	2019 £'M	2018 £'M
Fixed asset temporary differences	(2.5)	1.3
Other temporary differences	42.2	44.2
Deferred tax liability	**39.7**	**45.5**
Amounts brought forward / on inception	45.5	-
Arising on acquisition	-	49.5
Credit for the year	(5.8)	(4.0)
Balance at end of year	**39.7**	**45.5**

The Group does not have any unrecognsied deferred tax assets/liabilities. The income statement credit for the period is made up of £3.8m for fixed asset temporary differences and £2.0m for other temporary differences.

22. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each	SHARES NO.	SHARE CAPITAL £'M
Issued for cash	1,000,000	1
At 1 June 2018 and At 31 May 2019	**1,000,000**	**1**

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 period (2018: 1,000,000).

Share Based Payments

In the period ended 1 June 2018, the Group's ultimate parent IndigoCyan Topco Limited issued an aggregate of 36,900 shares to Management. A further 11,005 shares were issued to management in March 2019. The shares vest upon change of control of the Group.

As of the balance sheet date, the estimated market value of the shares granted is £1.7m (2018: £1.4m). This has resulted in a charge to the income statement of £0.6m (2018: £0.2m) during the year with a corresponding credit to equity.

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	MARCH 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%

22. CALLED UP SHARE CAPITAL (CONTINUED)

	SHARES 2019 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2019 £	SHARES 2018 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2018 £
Outstanding at beginning of year	36,900	-	-	-
Granted during the year	11,005	-	36,900	-
Forfeited during the year	-	-	-	-
Vested during the year	-	-	-	-
Expired during the year	-	-	-	-
Not vested at the end of the year	**47,905**	**-**	**36,900**	**-**
Vested at the end of the year	**-**	**-**	**-**	**-**

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:

	2019 £'M	2018 £'M
At start of year/on acquisition	3.4	2.5
Purchase of non-controlling interest	(4.1)	(0.4)
Profit for the year	-	1.3
At end of year	**(0.7)**	**3.4**

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 £2.1m (2018: £1.5m) 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 period end were £0.5m (2018: £0.3m).

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 2019 the Group's indebtedness amounted to £751.4m (2018: £716.6m) of which £438.2m (2018: £397.0m) 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.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Price risk

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

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. Details of the Group's forward contracts are included in note 20.

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.

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the consolidated financial statements
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25. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2019 £'M	2018 £'M
Financial assets		
Amortised cost		
Cash and bank balances	36.4	32.7
Trade and other receivables	26.7	30.7
Financial liabilities		
Amortised cost		
Trade and other payables	23.0	29.1
Other financial liabilities measured at amortised cost (see note 18)	758.2	758.8
FVTPL		
Interest rate swaps	0.4	0.3
Foreign exchange contracts	-	-

26. CAPITAL COMMITMENTS

The Group has capital commitments of £0.5m (2018: nil).

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 controlling party. IndigoCyan Jerseyco Limited is controlled by funds managed by CVC Credit Partners LLC.

28. RELATED PARTY TRANSACTIONS

Saltgate Limited ("Saltgate") is a related party by virtue of common directors. During the year the Group made purchases of £nil (2018: £0.2m) from Saltgate and a balance of £nil (2018: £0.1m) 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 £11.5m (2018: £11.5m) of loans provided by funds controlled by CVC. Interest accrued on these loans in the year totalled £0.8m (2018: £0.7m).

The Company's immediate parent IndigoCyan Holdco 2 Limited has provided the Company with loans totalling £438.2m (2018: £397m). These loans accrued interest of £41.2m (2018: £35.1m) 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 £1.2m (2018: £1.3m) from these and made sales of £5.7m (2018: £4.3m). 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 £34.2m (2018: £29.2m) and at the balance sheet date the partners owed the Group £1.4m (2018: £1.0m).

Key management personnel are deemed to be the Directors. Remuneration for key management personnel is set out in note 5.

29. NET CASH FLOW FROM OPERATING ACTIVITIES

	2019 £'M	2018 £'M
Loss for the year	(152.1)	(36.3)
Adjustments for		
Net finance costs	64.4	55.8
Fair value movement on derivatives	0.1	0.3
Depreciation and amortisation charges	12.9	9.8
Impairment charges	109.8	-
Amortisation of acquired intangibles	26.6	25.0
Income tax expense	2.4	1.5
Increase in provisions	2.9	-
Foreign exchange	-	-
Total	**219.1**	**92.4**
Changes in:		
Decrease / (increase) in inventories	0.2	(0.1)
Decrease / (increase) in receivables	0.5	(9.4)
Increase in payables	0.3	6.1
Working capital movement	**1.0**	**(3.4)**
Taxation paid	(6.3)	(4.8)
Net cash inflow from operating activities	**61.7**	**47.9**

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 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**

* Other changes include interest accruals.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2019

	NOTE	2019 £'M	2018 £'M
Assets			
Non-current Assets			
Investment in subsidiary	2	1.0	1.0
Trade and other receivables	3	822.9	745.5
Total Assets		**823.9**	**746.5**
Liabilities			
Current liabilities			
Loan and borrowings	6	-	(8.5)
Trade and other payables	4	(48.2)	(17.1)
Derivative financial instruments	5	(0.4)	(0.3)
		(48.6)	**(25.9)**
Non-current Liabilities			
Loan and borrowings	6	(750.5)	(709.3)
		(750.5)	**(709.3)**
Total Liabilities		**(799.1)**	**(735.2)**
Equity			
Share capital	7	1.0	1.0
Retained earnings		23.8	10.3
Total Equity		**24.8**	**11.3**

The Parent Company's profit for the financial year was £13.5m (2018: £10.3m). The financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 27 September 2019. 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 2019

	NOTE	SHARE CAPITAL £'M	RETAINED EARNINGS £'M	TOTAL EQUITY £'M
As at 12 May 2017		-	-	-
Issue of share capital		1.0	-	1.0
Profit for the year	7	-	10.3	10.3
Total Comprehensive Income for the Year		**-**	**10.3**	**10.3**
As at 3 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**

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the Parent Company financial statements for the year ended 31 May 2019

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 52 weeks to 31 May 2019 (2018: 49 weeks to 1 June 2018). 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

Critical accounting judgements and key sources of estimation uncertainty
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 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. 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 five 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.

There are no crticial accounting estimates related to the Company.

2. INVESTMENTS

	INVESTMENTS IN SUBSIDIARIES 2019 £'M	INVESTMENTS IN SUBSIDIARIES 2018 £'M
Cost		
At the start of the year	1.0	-
Additions	-	1.0
At the end of the year	**1.0**	**1.0**

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the Parent Company financial statements for the year ended 31 May 2019

2. INVESTMENTS (CONTINUED)

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
Ichnaea Jersey 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
Ichnaea UK Limited*	England and Wales	100%	Holding company	Ordinary
QA-IQ Holdings Limited*	England and Wales	100%	Holding company	Ordinary
QA-IQ Investments Limited*	England and Wales	100%	Holding company	Ordinary
QA-IQ Group Limited*	England and Wales	100%	Holding company	Ordinary
QA-IQ Investments (UK) Limited*	England and Wales	100%	Holding company	Ordinary
F 1 Computing Systems Limited*	England and Wales	100%	Dormant company	Ordinary
QA IQ Investments (UK) Limited*	England and Wales	100%	Dormant company	Ordinary
Power Education Limited*	England and Wales	100%	Dormant company	Ordinary
QA Learning Services Limited*	England and Wales	99%	Dormant company	Ordinary
Skillsgroup Holdings Limited*	England and Wales	100%	Dormant company	Ordinary

2. INVESTMENTS (CONTINUED)

Name	Country of incorporation	Ownership	Principal activity	Class of holding
The Training Foundation Limited*	England and Wales	100%	Dormant company	Ordinary
FGI Training & Consultancy Limited*	England and Wales	100%	Dormant 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 higher education	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
QA Gateway Limited*	England and Wales	86%	Holding Company	Ordinary
QA Consulting Services Limited*	England and Wales	100%	Provision of higher education	Ordinary
Infosec Skills Limited*	England and Wales	100%	Provision of training services	Ordinary
QA Learning Academy Limited*	England and Wales	100%	Provision of training services	Ordinary

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the Parent Company financial statements
for the year ended 31 May 2019

2. INVESTMENTS (CONTINUED)

Name	Country of incorporation	Ownership	Principal activity	Class of holding
Entities with registered office: 4th Floor, VC House, 4-6 Lan Street, Central, Hong Kong				
M2 Education (Hong Kong) Limited*#	Hong Kong	73%	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

^ Entities acquired after the year end

Subsequent to the balance sheet date the Group has entered into an agreement to dispose of its investment in Hong Kong.

3. TRADE AND OTHER RECEIVABLES

	2019 £'M	2018 £'M
Amounts falling due after one year:		
Loans to Group undertakings	822.9	745.5
Total	**822.9**	**745.5**

Loans to Group undertakings due after one year are repayable in 2047 and attract interest at a rate of 10%. Included within loans to Group undertakings are loan notes that are listed on The International Stock Exchange.

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

	2019 £'M	2018 £'M
Amounts falling due within one year:		
Amounts owed to Group undertakings	48.2	17.1
Total	**48.2**	**17.1**

Amounts owed to Group undertakings due within one year are repayable on demand. Of the balance £0.6m is due to IndigoCyan Topco Limited (2018: nil). The remainder of the balance is due to the Company's subsidiaries.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Group 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 Group does not trade in derivative financial instruments for speculative purposes. 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:

	2019 £'M	2018 £'M
Interest rate swap	0.4	0.3
Foreign exchange contract	-	0.0
Total	**0.4**	**0.3**

INDIGOCYAN HOLDCO 3 LIMITED

Notes to the Parent Company financial statements
for the year ended 31 May 2019

5. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

The Group has cash flows (most significantly US dollars, followed by the euro) denominated in currencies other than the functional currency of the relevant trading entity. To manage its significant exposures to changes in values of future foreign currency cash flows, the Group enters into derivative forward foreign currency transactions. At the year end the Group had one contract outstanding to purchase $17.5m. This was taken out to fund the anticipated purchase of Cloud Academy Inc. (see note 11).

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 Group 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 2019 £'M	NON-CURRENT 2019 £'M	TOTAL 2019 £'M	CURRENT 2018 £'M	NON-CURRENT 2018 £'M	TOTAL 2018 £'M
Bank loans	-	312.3	312.3	8.5	312.3	320.8
Shareholder loans	-	438.2	438.2	-	397.0	397.0
	-	**750.5**	**750.5**	**8.5**	**709.3**	**717.8**

Current bank loans represents a revolving credit facility, which is repayable within one year and attracts interest at LIBOR + 3.75% (2018: 4.00%). 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 + 5.00%. 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	2019 SHARES NO.	2019 SHARE CAPITAL £'M	2018 SHARES NO.	2018 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 (2018: 1,000,000).

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

POWERING POTENTIAL

We believe everything starts with our learners.

Transforming their careers and in turn their lives is what motivates and inspires us.

COMPANY INFORMATION

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