QA

ANNUAL REPORT

AND FINANCIAL STATEMENTS 2018

IndigoCyan HoldCo 3 Limited

QA is one of the UK's leading digital education and skills providers with a growing presence in technical, management and other associated professional skills areas.

We provide the education and training required to help individuals build better careers and make their employers more productive and successful.

Our model is primarily business to business, with long-term revenue visibility resulting from customer satisfaction and learners' contracted future programme lengths.

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IndigoCyan HoldCo 3 Limited
(herein referred to as "QA" or the "Group")
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QA ANNUAL REPORT 2018

KEY HIGHLIGHTS

QA helps address the productivity and skills shortages facing the UK. We do this through four key activities:

Learning and Training Programmes

We offer an unparalleled level of training expertise, from courses and certifications to wider learning solutions and full managed learning services, all of which help organisations develop their skills and capabilities.

Courses and development programmes are offered in core areas such as Cyber Security, Agile and DevOps in addition to business topics such as project management, leadership and digital transformation.

Apprenticeships

Our apprenticeships blend high-quality face-to-face training with online learning and real-world workplace experience to produce world-class apprentices.

From GCSE to degree-level, our tech and business apprenticeships offer individuals the opportunity to build successful careers, and organisations a future-proofed talent solution.

Higher Education

Through partnerships with some of the UK's leading universities we offer more than 90 higher education programmes, from foundation level to undergraduate and postgraduate degrees.

Working closely with our partners, and leveraging QA's deep knowledge of in-demand skills, our programmes are specifically tailored to the needs of modern business.

Consulting Academy

We provide scalable delivery capability in enterprise technology, helping our customers meet skills demand gaps through the use of highly-skilled graduate consultants.

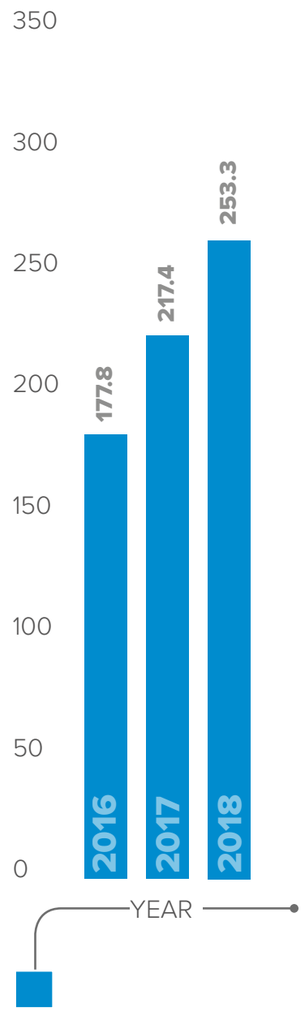
We recruit graduates onto a 12-16 week intensive academy and utilise cutting-edge blended learning solutions to ensure they develop the necessary skills to quickly create value for our clients.

In 2018 we served more than...

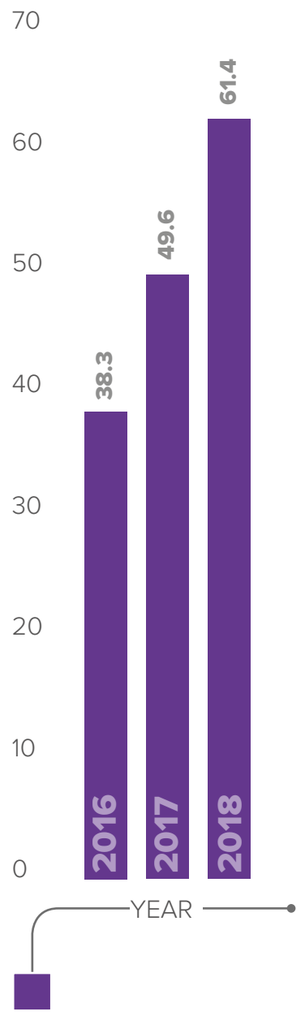
285,000 INDIVIDUALS

5,000 EMPLOYERS

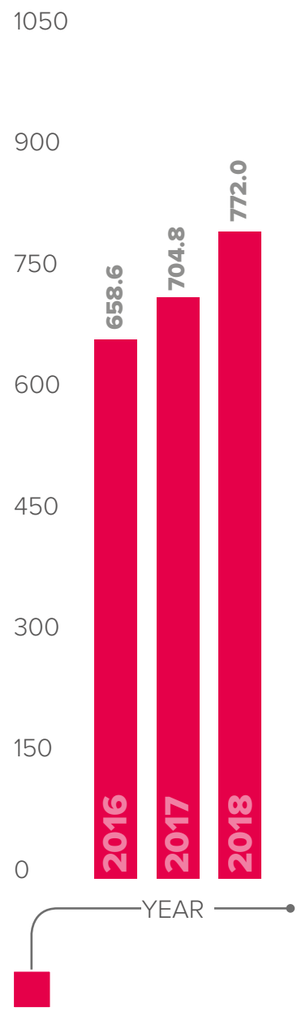
850 COURSES



REVENUE* (£'m)



ADJUSTED EBITDA* (£'m)



LEARNING DAYS ('000)

*Proforma financials set out in Table 1 (page 32) and Table 3 (page 35).

CEO'S STRATEGIC REVIEW
WILLIAM MACPHERSON

2018 was another record year for QA, reflecting our ongoing investment, a relentless focus on quality and dedication to our customers. All areas of our business contributed to continued strong financial performance with revenue increasing by 17% and EBITDA growing 24%.

Purpose and Strategy

Our organisation helps individuals build better careers and makes their employers more successful. By enhancing the skills of working professionals we add to the human capital of the country, enrich our economy and help our society. We aim to be a ladder of social progress as we turn school-leavers into workforce-ready employees, academic education into professional skills and managerial competence into cutting-edge digital skills.

Our focus is in digital, technical and managerial competence. We are one of the UK's leaders in digital education, covering all key areas of professional-skills demand including the newest and cutting-edge technologies. In 2018, we developed technology and business skills for more than 285,000 individuals in more than 850 courses across more than 5,000 employers.

UK businesses spent £3.5billion[1] in 2017 enhancing the skills of their employees through expert providers and it is an addressable market that is growing. It has never been more important for companies to invest in their people as they adapt and embrace changing technologies and develop the leadership skills to succeed in our increasingly digital world.

In this context, we aim to provide the best return on investment for our learners, and those who pay for them to learn.

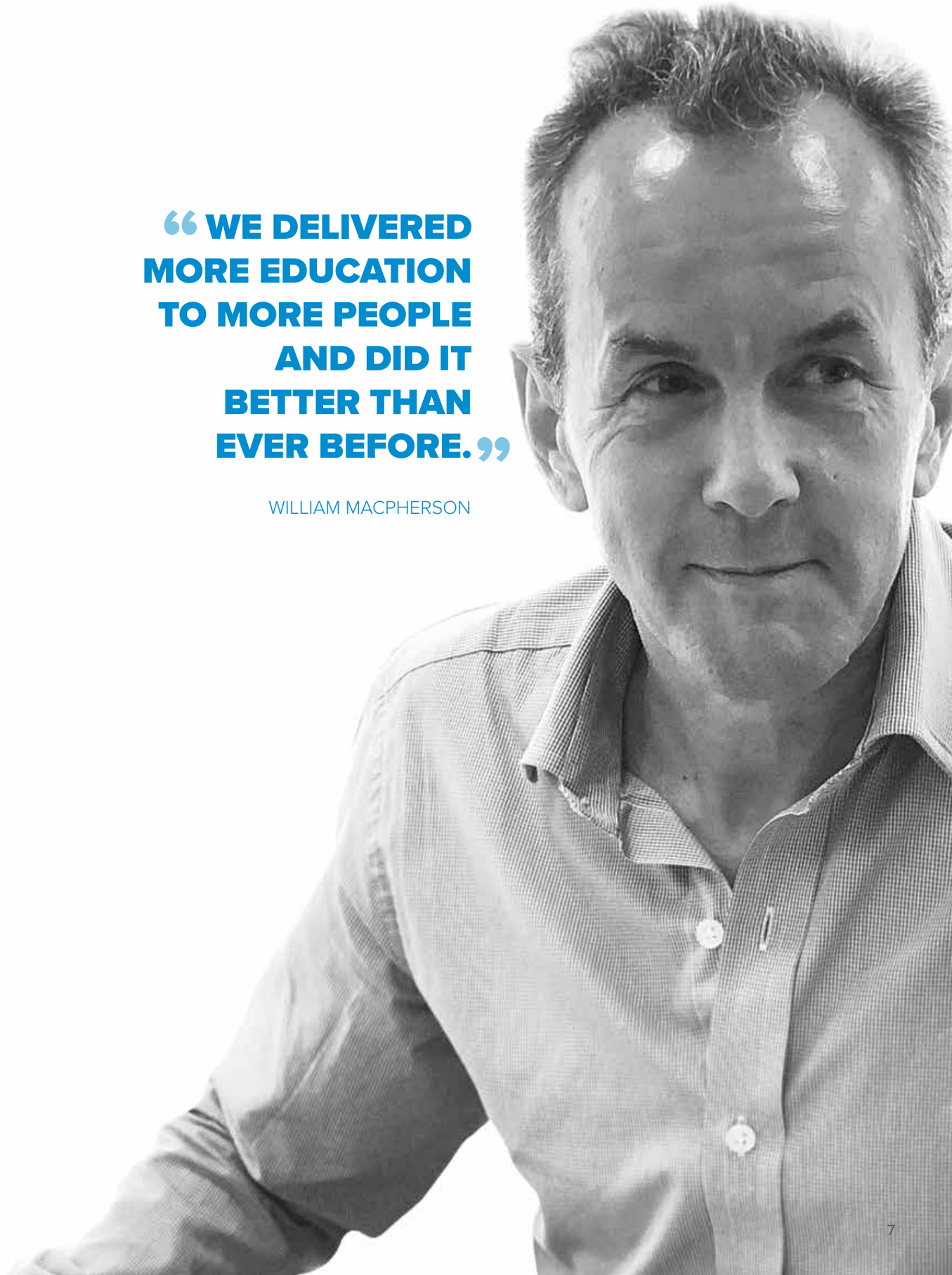
We aim to do this through:

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

[1] The Employer Skills Survey 2017

"WE DELIVERED MORE EDUCATION TO MORE PEOPLE AND DID IT BETTER THAN EVER BEFORE."

WILLIAM MACPHERSON



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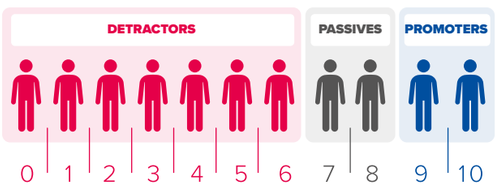
PROVIDING THE HIGHEST QUALITY TRAINING AND EDUCATION

We set out to exceed the expectations of three key customer groups: our learners, the businesses that employ them (or those that pay for the learners' education) and our third party regulators.

Successful education requires a focus on both the learner experience and efficacy of outcome.

For learner experience, we measure our learner satisfaction by Net Promoter Score (NPS). This is a globally recognised customer loyalty metric and in 2018, more than 80% of all learners we interacted with across all mechanisms of delivery would give us a score of 7 or above when considering if they would recommend us to friends or family – ranking us amongst the UK's best brands for customer service.

On a scale of 0 to 10, how likely are you to recommend QA to friends and family?



NET PROMOTER SCORE = % PROMOTERS - % DETRACTORS

In all areas of the business, we benchmark QA's learners' success against the market, and in 2018 continue to outperform our reference groups. For example, our IT apprenticeships have an achievement rate 8% above the market average.

We continue to work to improve outcome rates. For example, our ACE initiative (Academic Community of Excellence) supported under-performing undergraduates through mentoring and advice – and has contributed to an improved student retention of more than 5% in the year.

Our customer base is largely UK-based and covers the full range of industry sectors. We work predominately with corporate clients although over a quarter of our work is on public sector contracts. For much of our corporate solutions work, we measure return on investment through robust evaluation strategies, working with clients to be able to evidence the transfer of learning.

Our work on Santander's Future Forward programme resulted in a 15% improvement in satisfaction for Santander's customers and a 10% improvement in sentiment of Santander's employees. Our success in meeting customer needs may also be seen in the longevity of our customer relationships.

The introduction of the apprenticeship levy has proved very challenging to the market. While applauding the commitment to skills development, we are wary of the risk of employers who – keen to spend their levy money – are launching unmotivated learners onto programmes.

We spent much of 2018 consulting with employers to ensure programmes were necessary and drove real business value. This has contributed to an increase in apprenticeship starts, and we were proud to place our 20,000th apprentice into learning alongside delivering a 40% increase in learners on programme. We also continued to increase our market share in tech apprenticeships.

Our vocational and academic education areas are inspected by a variety of external auditors including Ofsted, ESFA, QAA, HMI, SDS, our university partners and independents. We are deeply supportive of these regimes of inspection and believe this both protects learners and raises standards.

In 2018, we had the following inspections, all of which were successful:

- Quality Assurance Agency Inspection Visit (Roehampton Pathway programmes)
- Quality Assurance Agency Monitoring Visit Review (Ulster programmes)
- Her Majesty's Inspectorate in Scotland (Ofsted equivalent inspection)
- Scottish Qualification Authority
- Skills Development Scotland Audit
- ILM External Quality Assurance Visit
- CMI External Quality Assurance Visit
- City & Guilds External Quality Assurance Visit
- BCS EQA Visit
- Matrix Re-accreditation Visit
- European Social Fund Audit

QA'S CUSTOMER BASE BY SECTOR

- Professional Services
- FMCG and Utilities
- Financial Services
- Engineering and Manufacturing
- Media, Broadcasting and Telecoms
- Banking
- Technology
- Public Sector

QA ANNUAL REPORT 2018

Gamified elearning for Royal Mail managers delivered in 2017. This approach can help to boost interest levels and keep learner attention and knowledge retention high.

INVESTING IN LEADING-EDGE CONTENT AND DELIVERY MECHANISMS

Employers' tech skills requirements are evolving faster than technology itself, so we have to be flexible and fast-paced in evolving what we offer to the market. By definition, the skills most needed are those in shortest supply.

Each year we invest significantly to refresh and develop new programmes to support the learning needs of our clients. Our market is growing, our clients are demanding more skills than ever before. Twenty four months ago demand for cyber security and cloud training was in its infancy, but client demand grew and so these specialisms now form a major part of our portfolio.

This year we created thousands of hours of new professional content, particularly in Cyber, Cloud, Data Science, Big Data, Mobile Technologies, Agile and Leadership. We created eight new apprenticeship programmes to meet the new standards ranging from Levels 3 (equivalent to 'A' level) to 4, 5, and 6 (degree level). In Consulting's Academy, we created new dedicated graduate programmes in DevOps, Scala and Google Cloud focused around 'Learning By Doing' and 'Facilitated Discovery'.

We provide education and training through multiple routes to market (including apprenticeships and higher education programmes) so we can cater to our clients and pivot to provide the perfect learning solutions at the perfect time. With so much range, we create solutions for every skills gap.

QA'S LONDON
CYBER LAB

QA ANNUAL REPORT 2018

CYBERFIRST PROGRAMME

1,100

We educated and inspired more than 1,100 students across 12 locations as part of the CyberFirst programme

Earlier this year, we were selected to be a key partner in the National Cyber Security Centre's CyberFirst programme, educating and inspiring more than 1,100 students into a career in Cyber Security.

Supported by the SmallPeice Trust, we managed and delivered a range of development courses for students aged 14-18 across the summer. To support this we had over 50 staff and 14,000 pieces of equipment spread across 12 geographical locations, complemented by 112 volunteer guest speakers from 37 organisations.

In the coming months we will continue to support CyberFirst by managing and delivering a programme of 1 day courses to an additional 800 students aged 11-14 across the UK and Northern Ireland.

As well as responding to evolving client demands, the way our learners need to access and digest learning is also changing. We provide programmes through the full range of delivery channels from digital to coaching and live-classroom, with blended delivery being increasingly common.

The choice of delivery mechanism is driven by sponsor choice, budget, logistics and learner competence and motivation.

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ATTRACTING AND RETAINING THE BEST TALENT IN OUR ORGANISATION

A business like ours relies almost exclusively on its people. At QA, we are lucky to attract some brilliant people to work for us, and we all operate to common values of integrity, service and commitment.

We now have over 2,100 full-time staff. Our staff are loyal to us – the average tenure of our managers is seven years and our top 100 managers have over 1,300 years of service between them.

We want all of our staff 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 believe strongly in key staff also being shareholders in the business, and in 2018, the number of staff shareholders increased from 123 to 258.

I would like to take this opportunity to thank every employee of QA for their contribution and hard work over the year. It is partly because our mission is so meaningful, but we are lucky to have exceptional levels of commitment and dedication from our staff.

CLUB 110 WINNERS

SUMMER TRIP FOR THE 2018 WINNERS OUR ANNUAL SALES STAFF RECOGNITION PROGRAMME

QA ANNUAL REPORT 2018

LOOKING FORWARD

This year has been the tenth record year in succession for QA. We delivered more education to more people and did it better than ever before.

It was also a year in which we welcomed new investors CVC to QA. We are delighted to have such a strong new partner who are as excited and passionate as we are about QA's prospects.

We continue to invest strongly in our core activities. As the employment environment demands ever-more skilled people, we are uniquely positioned in being able to support individuals and businesses at the convergence of professional development, vocational training and higher education. As such, we expect to achieve further growth in the coming year.

Our core specialisations around digital technology and managerial skills are the twin challenges at the heart of every organisation's competitive challenge. It is our relentless focus to deliver these skills in the highest quality way to benefit learner outcomes that will continue to set us apart and ensure we maintain our position as the UK's market leader.

WILLIAM MACPHERSON

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OUR STRATEGY

PROVIDING THE HIGHEST QUALITY EDUCATION AND TRAINING FOR:

LEARNERS

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

EXAMPLE KPI

Average learner NPS was:

54 (meaning over 80% of learners would recommend us)

EMPLOYERS

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

EXAMPLE KPI

Average employer NPS was:

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

REGULATORS

Ensuring national quality standards are met.

EXAMPLE KPI

Ofsted Outstanding Provider

Ofsted Outstanding Training provider 2013|2014

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, classroom or a blend of all of these

ATTRACTING AND RETAINING THE BEST TALENT

2,139 staff members

258 staff shareholders

7 year average manager tenure

QA ANNUAL REPORT 2018

CHAIRMAN'S REVIEW
SIR CHARLIE MAYFIELD

Better skills are crucial both to improving productivity nationally and to personal progression in the workplace. I chose to join QA in 2017 because their work is focused precisely on these important issues.

We seek to make a real, tangible difference to our learners, enabling them to progress and to contribute more to their employers.

Our education programmes – from short-form courses to apprenticeships – give people the hands-on skills and knowledge they need to think big, break socioeconomic barriers and transform careers.

Technology is the core focus for the learning QA provides and we are therefore at the centre of the greatest and fastest-growing disruption we see across the business world today. By bridging the skills gap, equipping employers with the capable tech-savvy employees they're asking for, we fuel the economy and help to increase the competitiveness of British businesses of all sizes.

We have a well-publicised productivity gap in the UK versus other economies. Better education, training and performance management are key to improvement.

At QA we are focused on them all.

Customer focus is also a core theme across QA. It's reflected in customer retention and the longevity of those relationships.

We're committed to making each interaction with clients – from a 21-year-old graduate consultant nervous about their first job to a major player at a multinational company – a positive one.

I've enjoyed my first few months working with William and the rest of the QA team and I look forward to working with the business and seeing it address the UK skills gap and provide more services to its ever-growing customer base.

SIR CHARLIE MAYFIELD

"WE SEEK TO MAKE A REAL, TANGIBLE DIFFERENCE TO OUR LEARNERS, ENABLING THEM TO PROGRESS AND TO CONTRIBUTE MORE TO THEIR EMPLOYERS."

SIR CHARLIE MAYFIELD

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THE MANAGEMENT BOARD

The Management Board oversee the day-to-day running of our business.

This year has seen some key new appointments to the team.

WILLIAM MACPHERSON
CEO

Appointed: June 2008

William has been leading education and business services groups for over 20 years. He has been the CEO of QA since 2008.

He led the development of QA from a value of £25m in 2008 to £700m in 2017 (when a majority stake was acquired by CVC, the leading private equity group). Prior to this, he served as the CEO of Kaplan Professional, Inc. from 2006-2008. He led the management buyout of The Financial Training Company (which became FTC Kaplan) from Wolters Kluwer in 2001 and sold the business to Kaplan in 2003 doubling the value of the business in two years.

Between 2004-2008, he led Kaplan's businesses outside the US, which included operations in six countries. Prior to Kaplan he worked at Bain & Company management consultants and at a corporate finance boutique. William holds an MA in Law from Cambridge University and an MBA from INSEAD.

SIR CHARLIE MAYFIELD
CHAIRMAN

Appointed: November 2017

Charlie was appointed as QA's Non-Executive Chairman in November 2017. He is also Chairman of the John Lewis Partnership (JLP).

He joined JLP in 2000 as Head of Business Development, responsible for business strategy and development for both John Lewis and Waitrose. He became Managing Director of John Lewis in January 2005 prior to taking up his appointment as Chairman of the Partnership in March 2007.

Charlie was the Government appointed Chair of the UK Commission for Employment and Skills from 2010 to 2016 and is President of the Employee Ownership Association. Charlie was knighted in June 2013 for services to business.

NATHAN RUNNICLES
CFO

Appointed: May 2018

Nathan joined QA from Tes Global where he was CFO, responsible for group finance, legal and corporate development. Before that, he was CFO at Research Now Group Inc. overseeing the development of the business from its time as a public company listed on AIM to its 2009 sale to e-Rewards Inc., owned by investors led by TA Associates, through to the sale to Court Square Capital in 2015.

Nathan was previously the EMEA Finance Director of Fitch, part of WPP Group plc, which he joined following WPP's 2003 acquisition of Cordiant Communications Group plc, where he had led corporate finance and investor relations. Nathan qualified as a chartered accountant with PricewaterhouseCoopers in 1998 after graduating with a BSc in Economics and Accounting from the University of Bristol.

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LISA HARRINGTON

MANAGING DIRECTOR (LEARNING)

Appointed: March 2018

Lisa joined QA from BT, where she held a number of senior leadership roles, responsible for transformation, strategy, digital and most recently service in her role as Chief Customer Officer.

Lisa started her career at Accenture and has over 20 years' experience leading teams and driving transformational change in both B2B and B2C markets. She is an advocate of diversity and wellbeing in the workplace and founded the TechWomen programme for BT, enabling career progression for women in technology roles. Until recently, Lisa also served as non-executive director for Southern Water and West London Mental Health Trust.

Lisa studied at University College Dublin. She graduated with an undergraduate degree in Politics, German Language and Literature in 1994 and a postgraduate degree in Business Studies in 1996.

STUART MARTIN

MANAGING DIRECTOR (CONSULTING)

Appointed: February 2000

Stuart has been with QA since 2000, having previously worked in the training and online education space for IBM and then Ten-TV.

Stuart joined QA in the role of Account Manager and went on to become Sales Director of the Learning division in 2005 – where he led the sales organisation through the successful mergers with Interquad, Xpertise and Remarc. 2018 saw Stuart step across to lead Consulting, focusing on enablement programmes that help customers become self-sufficient in the development and support of their technologies.

BEN PIKE

MANAGING DIRECTOR (APPRENTICESHIPS)

Appointed: September 2008

Ben has over 15 years' experience in senior leadership roles within the learning industry. He joined QA as Managing Director of managed learning services following the merger of the QA with Xpertise in 2008.

From 2002 to 2008, Ben was Operations Director and Learning Services Director at Xpertise, during which time he was instrumental in building Xpertise into a leading learning business.

Ben currently leads the Apprenticeships function at QA, specialising in providing IT apprenticeships for new entrants and existing staff.

JULIE NOONE

MANAGING DIRECTOR (HIGHER EDUCATION)

Appointed: March 2014

Julie joined QA in 2014, bringing more than 20 years' experience in Professional and Higher Education to the company. Julie originally qualified as a Chartered Accountant and Chartered Tax Advisor before moving to BPP Professional Education where she lectured in tax and law.

She then moved to Hong Kong as Managing Director of Kaplan (Asia Pacific), responsible for the delivery of professional education across the Asia Pacific region. Julie then returned to London with Kaplan where she held the post of Chief Operating Officer for Kaplan UK.

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.

RICHARD BLACKBURN

NON-EXECUTIVE DIRECTOR

Appointed: June 2017

Richard is a Senior Managing Director at CVC. He joined 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.

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AN ENVIRONMENTALLY RESPONSIBLE BUSINESS

QA IS COMMITTED TO REDUCING ITS CARBON EMISSIONS AND PROACTIVELY TAKES STEPS TO COMBAT CLIMATE CHANGE.

We continually strive to improve our environmental performance.

We regularly review our environmental objectives.

We set ourselves targets.

We measure progress.

Here's some of the key things we are doing.

- All redundant furniture is offered to local charities and schools before disposal
- All QA venues are accredited to the environmental standard of ISO 14001 (2105)
- In all refurbishment works QA install passive infrared sensors (PIR's) linked to an automatic "lights off" function
- In older venues there are clear environmental signage to turn off lights on exit
- Another core initiative is to reduce the use of paper/plastic drinking cups
- All disposable cups have been removed from the QA staff offices
- As a group we have introduced digital courseware to a high percentage of QA courses to reduce the amount of paper we use and distribute
- QA actively promotes distance learning (known as Attend from Anywhere training) allowing the delegate to work from their own base to reduce travel and decrease carbon impact
- Our staff travel policy states that public transport is always the first option when travelling on company business
- QA recycles all waste paper in recycling bins located in all locations and records the recycled data
- All cardboard is recycled and all locations have recycling bins clearly visible for both QA staff and delegates
- All redundant PC's and monitors are donated to charitable causes in line with CSR requirements and WEEE regulations
- We have launched "Don't bin a good thing" campaign promoting the re-use of disposable cups to all our delegates in all of our centres (the reduction in usage is being monitored)
- All staff have been issued with QA thermal re-usable mugs

QA ANNUAL REPORT 2018

A SOCIALLY RESPONSIBLE BUSINESS

#THERESNOPLACELIKEQA

We take our charity work very seriously at QA. Whether we are bathing in baths of baked beans, donning pinnies and baking cakes or doing a sponsored daredevil stunt – we do it all with real enthusiasm.

It can all get rather competitive too as offices compete against each other to raise the most for our chosen charity.

In 2018 the Group and staff (fundraising on our behalf) made charitable donations totalling

£60,000

for the NSPCC. In February 2018 staff voted to support educational charity Centrepoint.

Swindon Charity Car Wash

Chiltern Charity Walk for Centrepoint

Team South Tough Mudder Challenge

MasterChef Cook Off at Google Headquarters

PRIDE 2018 Cake Sale

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DIVERSITY AND INCLUSION

A RESPONSIBLE EMPLOYER

Our staff are so important to us.

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.

AN EQUAL OPPORTUNITIES EMPLOYER

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

The Group values the individual contribution of all its employees and prospective employees from all sectors of the community.

We recognise our social and moral duty to employ people with disabilities and applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff 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.

GENDER DIVERSITY

The accompanying table provides a breakdown of the genders of directors, senior leadership and employees at QA. We recognise that a diverse leadership team is good for business and remain committed to having diverse teams in terms of gender, as well as diversity of experience, background and knowledge.

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.

To this end we have a willingness to frankly debate our practices and we are actively working together with our employees, local communities, business partners and academia to ensure we are a shining example of a diverse and inclusive business.

	MALE	FEMALE	TOTAL
Management Board (excl. non-executive directors)	4	2	**6**
Managers	290	249	**539**
Employees (incl. managers)	1,237	902	**2,139**

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.

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, with our university partners, degree courses to domestic and international students at campuses in London, Birmingham, Manchester, Newcastle and Southampton.

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 2018 financial year ended on 1 June 2018 (being the Friday nearest to the 31 May).

The Group's audited accounts presented herein show the results of the Group from the date of its acquisition by IndigoCyan to 1 June 2018.

As a result of the date of the acquisition, the first three weeks of the financial year, from 3 June 2017 to 22 June 2017, are not included in these audited accounts.

The diagram below sets out a summary Group structure. The subsidiaries and associated undertakings affecting the profit or net assets of the Group in the period are all listed in Note 30 of the financial statements.

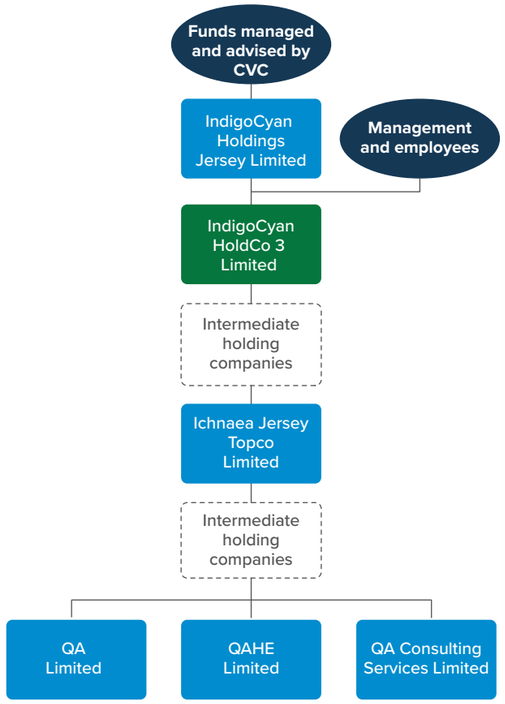

TABLE 1 - Proforma Financials

£'m	Unaudited 3 weeks ended 22 June 2017	Audited period 23 June 2017 to 1 June 2018	Unaudited Year ended 1 June 2018	Audited Year ended 2 June 2017	% Change
Revenue	13.3	240.0	253.3	217.4	16.5%
Gross profit	6.7	122.8	129.5	110.5	17.2%
Operating expenses	4.1	64.0	68.1	60.9	11.8%
Adjusted EBITDA	2.6	58.8	61.4	49.6	23.8%

TRADING PERFORMANCE

Table 1 opposite sets out the Group's summary income statement aggregating the audited results and the unaudited three weeks prior to acquisition, to present a full year of trading results comparable to the prior year ended 2 June 2017.

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

"THE GROUP HAS PERFORMED STRONGLY IN 2018, WITH A SIGNIFICANT INCREASE IN REVENUE DRIVING ANOTHER RECORD YEAR OF EBITDA."

NATHAN RUNNICLES

QA ANNUAL REPORT 2018

The Group's full year proforma revenue increased by 16.5% to £253.3 million (2017: £217.4m).

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 7.7% in the year.

All of the Group's operations delivered revenue growth in the year with notable performances in vocational and higher education, where the average number of students grew 51.3% and 53.8% respectively.

Gross profit increased by 17.2% in line with revenues.

Operating expenses increased to £68.1m (2017: £60.9m) 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 1,772 in 2018 (2017: 1,636).

Despite the increase in costs, Adjusted EBITDA for the full year increased 23.8% to £61.4m (2017: £49.6m) with the Adjusted EBITDA margin expanding 138bps to 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 opposite sets out the reconciliation and Adjusted EBITDA to the loss before taxation for the year.

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 acquisition and refinancing 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 £4.5m (2017: £3.9m) and £1.6m (2017: £1.5m) respectively in the year.

REPORTED RESULTS

On a reported basis for the 49 weeks ended 1 June 2018, as set out on page 43, the Group had revenues of £240.0m in the period ended 1 June 2018, with operating profit of £21.0m.

After deducting net finance costs of £55.8m, attributable to the Group's senior credit facilities of £320.0m, its revolving credit facility, of which £10.0m was drawn at the period end and shareholder loan notes of £397.0m, the loss before tax and after tax for the period was £34.8m and £36.3m respectively.

The financial position of the Group is presented in the balance sheet on page 44 with a net liability of £35.7m at period end. The net liability is due to the shareholder loans, together with the interest accruing on them, of £397.0m. Under the terms of the shareholder agreement, the loan and accrued interest is not repayable until the loan redemption date of June 2047.

Total assets at 1 June 2018 were £851.8m comprising intangible assets of £721.5m, property, plant and equipment of £41.6m, other non-current assets of £1.9m and current assets, including cash, of £86.7m.

Total liabilities at 1 June 2018 were £887.5m comprising bank borrowings of £330.0m, other non-current liabilities (including shareholder loans and accrued interest) of £450.2m and current liabilities of £107.4m.

TABLE 2 - Key Performance Indicators

		YEAR ENDED		
		2018	2017	2016
Revenue growth	%	16.5	22.3	18.2
Adjusted EBITDA*	£'m	61.4	49.6	38.3
Free cash flow	£'m	43.1	36.7	26.8
Learning days	No.'000	772.0	704.8	658.6

* 2017 and 2016 are shown proforma for IFRS16 as if it had been first adopted on 1 June 2015

CAPITAL RESOURCES

Our primary sources of liquidity consist of cash generated from operating activities, which amounted to £47.9m in the period ended 1 June 2018, and available drawings under the £65.0m Revolving Credit Facility.

We believe that these sources of funding will be sufficient to fund our debt servicing requirements as they become due, satisfy the cost to acquire the remaining shares in QA Gateway Limited, 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

Net cash inflow from operating activities was £47.9m in the period ended 1 June 2018.

There was a net cash inflow from financing activities of £659.1m in the period ended 1 June 2018 due to the new debt arrangements that provided the proceeds used to fund the acquisition of the Group's subsidiaries.

Net cash used in investing activities was £674.3m for the period, reflecting the cost to acquire the Group's subsidiaries.

FINANCING FACILITIES

On 16 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.

On 16 June 2017 the Group entered into the Revolving Credit Facility agreement, with a maturity date of December 2023, which provides £65.0m of committed financing, all of which can be drawn by way of loans or ancillary facilities.

Utilisations under the facility may be used for general corporate, including acquisitions, and working capital purposes of the Group. The facility bears interest at a rate per annum equal to GBP LIBOR plus a current margin of 4% 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 training funded by the apprenticeships levy.

All other components of working capital are relatively stable.

TABLE 3 - Adjusting Items

£'m	Unaudited 3 weeks ended 22 June 2017	Audited period 23 June 2017 to 1 June 2018	Unaudited Year ended 1 June 2018	Audited Year ended 2 June 2017*
Adjusted EBITDA	**2.6**	**58.8**	**61.4**	**49.6**
Depreciation and Amortisation	(0.3)	(34.8)	(35.1)	(10.5)
Exceptional costs	-	(2.8)	(2.8)	(3.3)
Finance income	-	0.1	0.1	0.1
Finance cost	(2.3)	(55.9)	(58.2)	(29.9)
Share based payment cost	-	(0.2)	(0.2)	-
(Loss) / Profit for the period before taxation	-	(34.8)	(34.8)	6.0

* Adjusted for IFRS16 as if it has been adopted from 1 June 2016

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MATERIAL CONTRACTUAL COMMITMENTS

Table 4 below, sets out the our contractual commitments as at 1 June 2018 that are expected to have an impact on liquidity and cash flow in future periods.

The following 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

The Group's activities expose it to a number of financial risks including market, competitive, credit and liquidity risks. The Group does not use derivative financial instruments for speculative purposes.

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 international students to our degree courses.

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

Management is continuing to monitor market developments in light of the outcome of the UK referendum to leave the European Union in March 2019.

We are not aware of any immediate direct consequences that will impact the Group, although as funding for EU students (which comprise 67% of the period's student intake numbers) is only confirmed for all existing higher education students and new students starting a course during the 2019-20 academic year, there is a risk to student volumes thereafter if we are unable to develop new recruitment sources or attract EU students to the UK on the post-Brexit funding terms.

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.

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	10.0	-	10.0
Operating lease commitments (1)	6.6	25.1	31.7
Put/call options (2)	12.9	-	12.9
Total	**29.5**	**345.1**	**374.6**

(1) Relates to the lease costs for the Group's training centres and corporate headquarters

(2) Relates to the put and call option to acquire the remaining 13.65% in QA Gateway Limited

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 operating 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.

Notes 16 and 18 set out information in respect of the Group's leverage position.

DIRECTOR'S REPORT

The directors present their report and the audited consolidated financial statements of the Group and the Company for the period ended 1 June 2018.

DIRECTORS

The Company was incorporated on 12 May 2017 under the laws of England and Wales. The directors of the Company who were in office during the period and up to the date of signing the financial statements are as follows:

- Christopher N A Patton (appointed 15 May 2017, resigned 20 August 2018)
- John H Cosnett (appointed 15 May 2017)
- David W Wells (appointed 22 May 2017)
- Richard P Blackburn (appointed 15 June 2017)
- William R G Macpherson (appointed 20 September 2017)
- Ian P Johnson (appointed 20 September 2017, resigned 25 May 2018)
- Sir Charlie Mayfield (appointed 23 November 2017)
- Nathan G Runnicles (appointed 25 May 2018)
- Johanna Karhukorpi (appointed 20 August 2018)

DIVIDENDS

The directors do not recommend the payment of a dividend for the period ended 1 June 2018.

POLITICAL DONATIONS

The Group did not make any political donations during the period.

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 1 June 2018 were equivalent to 43 days' purchases, based on the average daily amount of invoices owed to suppliers during the period.

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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 period and up to the date of the signing the financial statements.

SUBSEQUENT EVENTS

There were no subsequent events to report.

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 and supportive of the Group. 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 a revolving credit facility which expire in June 2024 and December 2024 respectively. These arrangements with appropriate financial covenants were negotiated in June 2017 and took account of financial projections which reflect the Group's trading expectations and which the Group has, to date, performed in line within 2018.

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 successfully 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.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who was a director of the Company on the date that this report was approved confirms that, so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware.

Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware or that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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 period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

However, directors are also required to:

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

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.

On behalf of the board on
31 October 2018

Mr N Runnicles,
Director

INDEPENDENT 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 1 June 2018 and of the group's loss and the parent company's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been properly prepared in accordance the Companies (Jersey) Law 1991.

We have audited the financial statements of IndigoCyan HoldCo 3 Limited (the "parent company") and its subsidiaries (together the "Group") which comprise:
- the consolidated income statement and other comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 35.

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INDIGOCYAN HOLDCO 3 LIMITED

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 2 Limited ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or IndigoCyan Holdco 2 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INDIGOCYAN HOLDCO 3 LIMITED

Report on other legal and regulatory requirements

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

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Hughes BSc (Hons), ACA
For and on behalf of Deloitte LLP
Leeds, United Kingdom
31 October 2018

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME FOR THE 49 WEEKS ENDED 1 JUNE 2018

	Note	Before exceptional items 2018 £'000	Exceptional items 2018 £'000	Total 2018 £'000
REVENUE	**2**	239,988	-	239,988
Cost of sales		(117,165)	-	(117,165)
GROSS PROFIT		122,823	-	122,823
Administration expenses		(99,054)	(2,763)	(101,817)
Operating profit before amortisation of intangibles and exceptional items		48,750	-	48,750
Amortisation of intangibles		(24,981)	-	(24,981)
Exceptional costs	**4**	-	(2,763)	(2,763)
OPERATING PROFIT	**3**	23,769	(2,763)	21,006
Finance income	**6**	157	-	157
Finance costs	**6**	(55,921)	-	(55,921)
		(55,764)	-	(55,764)
LOSS BEFORE TAXATION		(31,995)	(2,763)	(34,758)
Taxation	**7**			(1,492)
LOSS FOR THE PERIOD				(36,250)
PROFIT ATTRIBUTABLE TO:				
Owners of the company				(37,575)
Non-controlling interests				1,325
				(36,250)
OTHER COMPREHENSIVE INCOME				
Loss for the period				(36,250)
Exchange differences on translation of foreign operations				3
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD				**(36,247)**
PROFIT ATTRIBUTABLE TO:				
Owners of the company				(37,572)
Non-controlling interests				1,325
				(36,247)

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JUNE 2018

ASSETS	Note	2018 Group £'000
Non-current assets		
Goodwill	9	447,537
Other intangible assets	12	274,019
Property, plant and equipment	13	41,633
Investment in associates	10	1,946
		765,135
Current assets		
Inventories	14	352
Trade and other receivables	15	53,617
Cash and cash equivalents	16	32,725
		86,694
Total assets		851,829
LIABILITIES		
Current liabilities		
Loan and borrowings	18	(15,158)
Derivative financial liabilities	20	(329)
Trade and other payables	17	(91,866)
		(107,353)
Non-current liabilities		
Loan and borrowings	18	(734,191)
Provision for liabilities	19	(463)
Deferred tax	21	(45,509)
		(780,163)
Total liabilities		(887,516)
NET LIABILITIES		(35,687)
Equity		
Share capital	22	1,000
Translation reserve	24	3
Share based payments reserve	22	231
Retained earnings	23	(40,306)
Equity attributable to owners of the company		(39,072)
Non-controlling interests	23	3,385
TOTAL EQUITY		(35,687)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JUNE 2018 (CONTINUED)

The consolidated financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 31 October 2018.

Signed on behalf of the Board of Directors by:

N Runnicles
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 49 WEEKS ENDED 1 JUNE 2018

Group	Share capital £'000	Translation reserve £'000	Share based payments reserve £'000	Retained earnings £'000	Attributable to parent company £'000	Non-controlling interest £'000	Total equity £'000
On acquisition at 23 June 2017	-	-	-	-	-	2,443	2,443
Issue of share capital	1,000	-	-	-	1,000	-	1,000
Purchase of non-controlling interest	-	-	-	(2,500)	(2,500)	(383)	(2,883)
Loss for period	-	-	231	(37,806)	(37,575)	1,325	(36,250)
Other comprehensive income	-	3	-	-	3	-	3
Total comprehensive loss for the period	-	3	231	(37,806)	(36,572)	1,325	(35,247)
As at 1 June 2018	1,000	3	231	(40,306)	(39,072)	3,385	(35,687)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 49 WEEKS ENDED 1 JUNE 2018

	Group 2018 £'000
Net cash inflow from operating activities	47,918
Cash flows from financing activities	
Proceeds from additional debt	681,063
Issue of ordinary shares	1,000
Repayment of lease liabilities	(3,764)
Interest paid	(19,229)
Net cash inflow from financing activities	659,070
Cash flows used in investing activities	
Purchase of property, plant and equipment	(3,849)
Acquisition of subsidiaries, net of cash acquired	(667,688)
Purchase of non-controlling interest	(2,883)
Interest received	157
Net cash outflow from investing activities	(674,263)
Increase in cash and cash equivalents	32,725
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	32,725

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE 49 WEEKS ENDED 1 JUNE 2018

NET CASH FLOW FROM OPERATING ACTIVITIES	Group 2018 £'000
Loss before taxation	(34,758)
Adjustments for:	
Net finance costs	55,764
Fair value movement on derivatives	329
Depreciation charges	9,781
Amortisation of intangibles	24,981
Foreign exchange	3
	90,858
Changes in:	
Inventories	(69)
Receivables	(9,383)
Payables	6,043
	(3,409)
Taxation paid	(4,773)
Net cash inflow from operating activities	**47,918**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

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 1 Waverley Place, Union Street, 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.

Basis of accounting
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. The Company meets the definition of a qualifying entity under FRS 101 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. These financial statements have been prepared under the historical cost convention. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the 49 weeks ended 1 June 2018.

The Group and Company financial statements are presented in Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up for the 49 weeks to 1 June 2018. Business combinations are accounted for under the acquisition method. Intra-group sales and profits are eliminated fully on consolidation. 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 the inclusion in the group profit and loss account.

Under Article 105 (11) of the Companies (Jersey) Law 1991, the directors of a holding company need not prepare separate financial statements (i.e. company only financial statements) if consolidated financial statements for the company are prepared, unless required to do so by the members of the company by ordinary resolution. The members of the Company have not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by the law, the Directors have elected not to prepare separate financial statements.

Control is achieved when the Group is exposed, or has the right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Rights to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Basis of consolidation - continued
When the Group has less than a majority of the voting or similar rights of an investee, the Group consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

(i) derecognises the assets (including goodwill) and liabilities of the subsidiary;
(ii) derecognises the carrying amount of any non-controlling interest;
(iii) derecognises the cumulative translation differences, accumulated in equity;
(iv) recognises the fair value of the consideration received
(v) recognises the fair value of any investment retained
(vi) recognises any surplus or deficit in profit or loss; and
(vii) reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate. Any investment retained is recognised at fair value.

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.

New Standards adopted as at 23 June 2017
IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. Although only mandatory for annual reporting periods beginning on or after 1 January 2018, the Group has elected to apply IFRS 15 early, on 12 May 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

IFRS 9 – Financial Instruments
In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs in advance of their effective dates. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

(a) Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

The directors of the Company reviewed and assessed the Group's financial assets as at 23 June 2017 based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost, continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding; and
- financial assets that were measured at FVTPL under IAS 39 should continue to be measured as such under IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

IFRS 9 – Financial Instruments – continued

None of the reclassifications of financial assets have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date, to reflect changes in credit risk since the initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime Expected Credit Loss ("ECL") if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12m ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

As at 23 June 2017, the directors of the Company reviewed and assessed the Group's existing financial assets, amounts due from customers and financial guarantee contracts for impairment, using reasonable and supportable information that is available (without undue cost or effort) in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 23 June 2017. The result of the assessment was that there was no change in the impairment recognised.

(c) Classification and measurement of financial liabilities
The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

IFRS 16 - Leases
In the current period, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) and the related consequential amendments to other IFRSs in advance of their effective dates.

IFRS 16 introduces new or amended requirements for the definition of a lease, lessee accounting and lessor accounting (in particular, increased disclosure requirements). Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The date of initial application of IFRS 16 for the Group is 23 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

IFRS 16 – Leases - continued

Under IAS 17, the lessee and lessor accounting models are asymmetrical. While the IASB has retained the existing distinction between finance and operating leases for lessors, this is no longer relevant for lessees. In general all leases within the scope of IFRS 16 are required to be brought on-balance by lessees, recognising a "right-of-use" asset and a related lease liability at commencement of the lease. The subsequent accounting is generally similar to the finance lease model set out in IAS 17 Leases. Furthermore IFRS 16 establishes a control model for the identification of leases, distinguishing between lease and service contracts on the basis of whether there is an identified asset controlled by the customer.

Impact on the new definition of a lease
The definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or changed before the date of initial application of IFRS 16. Hence, the Group makes use of the practical expedient not to reassess whether a contract is or contains a lease on transition. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after the date of initial application. The new definition of a lease applies to both parties to a contract, i.e. regardless of whether the Group is a lessee or a lessor in the specific contract.

IFRS 16 retains the definition of a lease in IAS 17 but changes the guidance setting out how to apply it. The changes mainly relate to the concept of control used within the definition, IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The changes to the guidance on the definition in IFRS 16 does not significantly affect the conclusions about whether contracts contain a lease for the vast majority of contracts.

Because leases and services are often combined into one contract and the accounting for leases and services is different, IFRS 16 also addresses if and when separation of lease and service components of contracts is necessary. IFRS 16 applies only to leases, or lease components of a contract.

Impact on Lessee Accounting
IAS 17 focused on identifying 'de facto' debt financed purchases. When a lease was determined to be economically similar to purchasing the asset being leased, the lease was classified as a finance lease (i.e. transfer of substantially all the risks and rewards incidental to ownership of an asset to the lessee) and reported on a company's balance sheet. All other leases were classified as operating leases and not reported in the statement of financial position (i.e. they were 'off-balance leases'). Applying IAS 17, off-balance leases were accounted for similarly to service contracts, with the company reporting a rental expense (typically on a straight-line basis) in each period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Former off-balance sheet leases (operating leases)
IFRS 16 changes how the Group accounts for leases that were off-balance sheet applying IAS 17, other than short-term leases (leases of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), where the Group continues to recognise lease expense as incurred (see Note 27).

Applying IFRS 16, in essence for all leases, the Group is required to:
(a) Recognise 'right-of-use' assets and lease liabilities in the balance sheet, initially measured at the present value of unavoidable future lease payments;
(b) recognise depreciation of 'right-of-use' assets and interest on lease liabilities in the income statement over the lease term; and
(c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the cash flow statement.

Former on-balance-sheet leases (finance leases)
During its impact analysis, the Group concluded that IFRS 16 does not change substantially the accounting for finance leases in IAS 17. The main difference relates to the treatment of residual value guarantees provided by a lessee to a lessor, because IFRS 16 requires that the company recognise only amounts expected to be payable under residual value guarantees, rather than the maximum amount guaranteed as required by IAS 17. The Group did not have a material effect from the initial application of IFRS 16 in this respect.

Financial impact of initial application of IFRS 16
The tables below show the amount each financial statement line item is affected by the early application of IFRS 16 for the period.

	Group 2018 £'000
Impact on profit or loss, other comprehensive income and total comprehensive income	
Increase in depreciation and amortisation expense	(4,555)
Increase in finance costs	(1,567)
Decrease in other expenses	5,332
Decrease in profit for the year	(790)
Decrease in total comprehensive income for the year	(790)
Impact on assets, liabilities and equity at 1 June 2018	
Goodwill	48
Right of use asset	30,756
Finance lease liability	(31,594)
Retained earnings	(790)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

New and amended standards
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 2 June 2018. The Group has elected not to adopt early these standards which are described below:

Annual Improvements to IFRS standards 2014-2016 cycle (Amendments to IFRS 1 and IAS 28) (effective date 1 January 2018);

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018);

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018); and

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 insurance Contracts (effective 1 January 2018).

The above are not expected to have a material impact on the financial statements unless indicated. 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 amount 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 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 is updated annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

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.

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 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.

The customers receive benefits from the consultancy services provided as the Company, via the consultant or contractor, performs the service. Therefore the performance obligation is deemed to be satisfied over time. Consulting revenue is recognised upon completion of non-refundable milestones if there is a payment on account or the amount is being invoiced. Customers are invoiced monthly on a time and materials basis subject to some contracts having billing caps incorporated into its terms and conditions. Invoicing is driven by the number of labour hours involved whereby time is calculated from a time card as authorised by the client side manager. In this case, the Group recognises revenue in the amount to which it has a right to invoice.

Neither the Company 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 period using the effective interest method.

Finance costs comprise the interest expense on external borrowings which are recognised in the income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

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

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

Taxation
Taxation compromises 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.

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, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

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
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
Content and materials	-	4 years

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

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 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
Right of Use Asset	-	Straight line over the length of the lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

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. 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 individually for each cash-generating unit 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 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, is it 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

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.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including 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.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Leases - continued

- 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. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
    - The Group has the right to operate the asset; or
    - The Group has designed the asset in a way that predetermines how and for what purpose it will be 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 in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

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

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as a the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Leases - continued
The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured 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 re-measured 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 that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position.

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

Financial instruments
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 are recognised immediately in profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(a) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Financial assets - continued

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

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.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see (c) below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

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 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 FVTOCI or FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Financial assets - continued

(b) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (Expected Credit Loss) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix 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.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

(i) Significant increase in credit risk - continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

(v) Measurement and recognition of expected credit losses - continued

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(c) 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Financial liabilities and equity instruments

(a) Classification as debt or equity
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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

(i) 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, 2) held for trading, or 3) 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 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.

(ii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

(ii) Financial liabilities subsequently measured at amortised cost - continued
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.

(iii) 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. Further 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 profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Going concern
The Company'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, being a period of at least 12 month 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 principal activities section of the Directors report. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Going concern - continued
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 profit or loss accounts in the period they are incurred.

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

Tax accounting in relation to IFRS 16
The Group has adopted early IFRS16 in the period ended 1 June 2018.

At the moment there is no substantially enacted tax law which deals with the tax treatment of IFRS16. As a result, it is still unclear how the adoption of the accounting standard will impact the Group's tax profile moving forwards. However, the Government have enacted a temporary fix in s.53 of Finance Act 2011, which says that where early adoption has taken place, the Group should continue tax treatment as if accounting pre IFRS16 until further notice. In that respect the Group has accounted for the tax effect of IFRS 16 as follows:

Current tax
Until new tax law is enacted, the tax treatment is as if accounting pre IFRS16.

Deferred tax
The asset brought onto the balance sheet and the lease liability are considered separately, both have a tax base of zero (given there is no substantially enacted tax law). As there is a difference between the book value (accounts value) and tax base this gives rise to a temporary difference. However, there is no deferred tax on this temporary difference as a result of the application of the Initial Recognition Exemption (IRE). As the asset and liability unwind there continues to be no deferred tax as the IRE continues to apply.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Critical judgements in applying accounting policies - continued
Deferred tax - continued
Once the tax law is finalised in the financial year ending 31 May 2019, the approach to deferred tax on these leases will need to be revisited and adjustments made in subsequent accounts as necessary.

Useful economic life of intangible assets
Customer relationships
The remaining useful lives of 5 to 17 years has been determined based on when the majority of cumulative cash flows have been achieved.

Tradenames
A remaining useful life of 20 years has been determined based on the fact that the tradename has been well established since the 1980's.

Content and materials
The remaining useful lives of 4 years is based on historical experience.

Assessment of cash generating units (CGU's)
The Group considers there to be four CGUs – Learning, Apprenticeships, Higher Education and Consulting. These CGUs represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. Within the Group's internal financial reporting, these four CGUs are presented separately and this is how the Group's performance is analysed at Board level.

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 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 budget 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. More detail is disclosed in note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

1. **ACCOUNTING POLICIES - continued**

Key sources of estimation uncertainty - continued

Valuation of acquisition intangible assets
Acquisitions have resulted in acquired tradenames, training materials and content and customer relationships being recognised as intangible assets. Tradenames have been valued using the "Relief from Royalty" approach using a royalty rate of 0.5%.

Training materials and content have been valued using the replacement cost approach. A time to market adjustment, which represents the benefit of acquiring the asset today has been applied of 8%. This is at a 1% discount to the IRR for the CGU to account for the lower risk attributable to this asset.

Customer relationships have been valued using the excess earnings method. In applying this methodology certain key judgements and estimates are required to be made in respect of future cash flows together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The attrition rate for each customer relationship across each CGU is based on historical attrition rates and Management experience and judgement. The remaining useful life has been determined based on when c. 80% of cumulative cash flows have been achieved. The valuation applies a 2% discount to the IRR for each CGU to account for the lower risk attributable to this asset.

IFRS 16
Identifying a lease sometimes requires significant amount of judgement based on the elements of the definition of a lease. The initial recognition of lease liabilities at present value requires the identification of an appropriate discount rate, which requires the use of judgement. The value of the right of use asset is sensitive to the discount rate used in the calculation. For every 1% change in the average discount rate used of 5.53%, the value of the right of use asset changes by approximately £1.1m.

Levy income
For certain courses funded by the Apprenticeship levy, a final 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 1% increase in withdrawal rates would lead to an approximate £0.5m reduction in revenue.

Option to acquire NCI
The Group holds an option which entitles it to acquire the non-controlling interest in one of its subsidiary within a specific timeframe. The purchase price of the option is based on a multiple of EBITDA and the Group considers that the multiple in the contract is approximate to the fair value of the non-controlling interest and therefore the option has a fair value of £nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

2. **REVENUE**

All revenue was derived from sales in the United Kingdom.

3. **OPERATING PROFIT**

Operating profit is stated after charging:

	2018 £'000
Depreciation - owned assets	5,226
Depreciation - right of use assets	4,555
Amortisation of intangibles	24,981
Fair value movements of derivatives	329
Training materials	6,292
Salary costs	76,255

The analysis of auditor's remuneration is as follows:

	2018 £'000
Audit of company	8
Subsidiary audit fees	202
Total audit fees	210
Covenant compliance	5
Total audit and assurance	215
Taxation compliance services	101
Taxation advisory services	179
Other non-audit services	20
Total non-audit fees	300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

4. EXCEPTIONAL COSTS

	2018 £'000
Acquisition	2,638
Property	(592)
Strategic projects	323
Recruitment and restructuring	394
Total exceptional costs	2,763

Acquisition costs relate to the acquisition of the QA group as detailed in note 11. Acquisition costs are non-recurring costs and therefore treated as exceptional costs.

Property costs primarily relate to a refund following a rates review. Property refund is a non-recurring transaction and therefore treated as exceptional item.

Strategic projects relate to a non-recurring review of operational processes which due to their nature have been treated as exceptional costs.

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

5. STAFF COSTS

	2018 £'000
Wages and salaries	67,357
Social security costs	7,379
Other pension costs	1,519
	76,255

'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:

	2018 No.
Learning, teaching and consulting services	844
Sales and administration	928
	1,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

5. STAFF COSTS (continued)

	2018 £'000
Directors' remuneration	
Directors' emoluments	1,745
Directors' pension contributions to money purchase pension schemes	-
	1,745
Number of directors accruing benefits under:	
Defined contribution scheme	-

Information regarding the highest paid director is as follows:

	2018 £'000
Emoluments	1,001

Directors' emoluments (including employer's National Insurance contributions) include £870,000, and the emoluments of the highest paid director include £640,000, 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.

Company

The 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

	2018 £'000
Bank interest receivable	157
Total interest receivable	157

FINANCE COSTS

	2018 £'000
Bank loan interest	18,207
Interest on shareholder loan notes	35,126
Other interest	692
Interest on lease liability	1,567
Fair value movement on derivatives	329
Total interest payable	55,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

7. TAXATION

Analysis of the tax charge The tax charge on loss before tax for the period was as follows:	**2018** **£'000**
Current tax:	
UK corporation tax	5,753
Adjustment in respect of prior periods	(230)
	5,523
Deferred tax:	
Origination and reversal of timing differences	(4,418)
Adjustment in respect of prior periods	372
Effect of change of tax rates	15
	(4,031)
Tax on loss on ordinary activities	1,492

Factors affecting the tax charge

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

	2018 **£'000**
Loss on ordinary activities before tax	(34,758)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	(6,604)
Effects of:	
Ordinary expenses not deductible for tax purposes	8,083
Group relief	(144)
Effect of changes in tax rate	15
Adjustment in respect of prior periods	142
Tax on loss on ordinary activities	1,492

The standard rate of corporation tax applicable for the period ended 1 June 2018 is 19%. The Finance Bill 2016 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.

8. DIVIDEND PAID AND PROPOSED

No dividends have been paid or proposed by the Group or the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

9. GOODWILL

	Group **£'000**
Cost	
Arising on acquisition (note 11)	447,537
At 1 June 2018	447,537
Impairment	
Impairment charge for the period	-
At 1 June 2018	-
NET BOOK VALUE	
At 1 June 2018	447,537

Allocation of goodwill to cash generating units

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value:

	2018 **£'000**
Learning	217,064
Apprenticeships	91,935
Higher Education	35,964
Consulting	102,574
Total goodwill	447,537

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment.

Recoverable amount of each segment	**2018** **£'000**
Learning	334,398
Apprenticeships	122,952
Higher Education	83,709
Consulting	135,985

Growth rates

Terminal value has been calculated using the Gordon growth model using a long term growth rate of 2% per annum, in line with the target long term inflation rates expected in the UK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

9. **GOODWILL - continued**

Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment as follows:

Discount rates	2018 %
Learning	9.0
Apprenticeships	16.8
Higher Education	13.8
Consulting	16.3

Sensitivity

The estimate of recoverable amount is particularly sensitive to the discount rate. If the discount rate used is increased by 1%, the recoverable amount is reduced by £73m. Revenue sensitivity results in a reduction in value of approximately £104m, with details as follows:

	Sensitivity %	Original £'000	Sensitivity £'000	Difference £'000
Learning	(2.5)%	334,398	306,706	27,692
Higher Education	(5.0)%	83,709	64,331	19,378
Apprenticeships	(5.0)%	122,952	96,940	26,012
Consulting	(5.0)%	135,985	105,267	30,718
		677,044	573,244	103,800

10. **INVESTMENTS**

	Group investments in associates £'000
COST	
On acquisition (note 11)	1,946
At 1 June 2018	1,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

11. **ACQUISITIONS**

On 19 June 2017, CVC Capital Partners ("CVC") announced the acquisition of the group headed by Ichnaea Jersey Topco Limited, via subsidiaries of IndigoCyan Holdco 3 Limited, from Bregal Capital LLP and EMK Capital. The acquired business had a number of wholly and partly owned subsidiaries which were also indirectly acquired as part of this transaction. The transaction rationale was based on QA's market leading position, its well placed position in other segments of the industry, expectations of high growth and a strong management team.

In the 49 weeks from 23 June 2017 to 1 June 2018, the businesses acquired had revenue of £240m and a net loss of £14.6m. If the acquisition had occurred on 3 June 2017, the loss for the year would have been reduced by £21,000.

The costs incurred in relation to this acquisition of £2.6m were expensed to the Exceptional Items in the Income Statement.

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

	Note	Fair value £'000
Non-current assets		
Property, plant and equipment	13	47,565
Intangible assets	12	299,000
Investments in associates	10	1,946
Current assets		
Inventories		283
Trade and other receivables		44,234
Cash and cash equivalents		9,356
Total assets		402,384
Current liabilities		
Lease liabilities		(3,764)
Trade and other payables		(84,945)
Non-current liabilities		
Lease liabilities		(31,594)
Provisions		(552)
Deferred tax liability		(49,579)
Total liabilities		(170,434)
Minority interest		(2,443)
Net assets		229,507

Goodwill arising on acquisition		**£'000**
Consideration		677,044
Net assets acquired		(229,507)
Goodwill	9	447,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

12. OTHER INTANGIBLE ASSETS

Group	Customer relationships £'000	Tradename £'000	Content and materials £'000	Total £'000
COST				
On acquisition of subsidiaries (note 11)	277,000	19,000	3,000	299,000
At 1 June 2018	277,000	19,000	3,000	299,000
AMORTISATION				
Charge for period	23,148	893	940	24,981
At 1 June 2018	23,148	893	940	24,981
NET BOOK VALUE				
At 1 June 2018	253,852	18,107	2,060	274,019

13. PROPERTY, PLANT AND EQUIPMENT

Group	Right of use assets £'000	Short term leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
COST				
On acquisitions (note 11)	35,311	6,455	5,799	47,565
Additions	-	777	3,072	3,849
At 1 June 2018	35,311	7,232	8,871	51,414
DEPRECIATION				
Charge for period	4,555	1,938	3,288	9,781
At 1 June 2018	4,555	1,938	3,288	9,781
NET BOOK VALUE				
At 1 June 2018	30,756	5,294	5,583	41,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

14. INVENTORIES

	Group 2018 £'000
Training material and goods for resale	352

In 2018, training materials of £6.3m 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.

15. TRADE AND OTHER RECEIVABLES

	Group 2018 £'000
Amounts falling due within one year	
Trade receivables	30,689
Prepayments	22,917
Other debtors	11
	53,617

No interest is charged on outstanding trade receivables. Trade receivables are stated after a provision for impairment of £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.

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 each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

15. TRADE AND OTHER RECEIVABLES - continued

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime 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 is subject to enforcement activities.

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

Group	Gross carrying amount 2018 £'000	Lifetime ECL 2018 £'000	Net carrying amount 2018 £'000
Not past due	23,790	(101)	23,689
< 30 days past due	5,117	(167)	4,950
30 - 60 days past due	1,321	(164)	1,157
60 - 180 days past due	1,532	(639)	893
	31,760	**(1,071)**	**30,689**

16. CASH AND CASH EQUIVALENTS

	Group 2018 £'000
Cash at bank and in hand	32,725
Cash and cash equivalents in the statement of cash flows	32,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

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

	Group 2018 £'000
Amounts falling due within one year:	
Trade payables	11,661
Social security and other taxes	8,703
Amounts owed to group undertakings	155
Corporation tax	1,862
Other creditors	2,768
Accrued expenses	18,916
Deferred income	47,801
	91,866

Amounts owed to group undertakings due within one year are repayable on demand and attract no interest.

18. LOAN AND BORROWINGS

	Current 2018 £'000	Non-current 2018 £'000	Total 2018 £'000
Bank loans	8,465	312,324	320,789
Shareholder loans	-	396,966	396,966
Lease liabilities	6,693	24,901	31,594
	15,158	734,191	749,349

Current bank loans represent a revolving credit facility, which is repayable within one year, and attracts interest at LIBOR + 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%. Included within shareholder loans is capitalised interest of £35.1m. The bank loans are secured via a fixed and floating charge over all of the assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

19. PROVISIONS

	Dilapidations £'000
On acquisition of subsidiaries (note 11)	552
Utilised in the period	(89)
	463

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 to 2 years.

20. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2018 £'000
Interest rate swap	329
	329

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 £200,000,000 and it matures on 30 November 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

21. DEFERRED TAX

	Group £'000
Fixed asset temporary differences	1,290
Other temporary differences	44,219
Deferred tax liability	**45,509**

	Group £'000
Amounts brought forward/ on inception	-
Arising on acquisition (note 11)	49,579
Credit for the period	(4,031)
Sundry items	(39)
Balance as at 1 June 2018	**45,509**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

22. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each	Number of shares No.	Share Capital £'000
Issued for cash	1,000,000	1,000
At 1 June 2018	**1,000,000**	**1,000**

One ordinary share of £1 each was issued at par on incorporation. A further 9 and 999,990 ordinary shares of £1 each were issued at par on 21 June 2017 and 23 June 2017 respectively.

Each share carries pari passu voting and distribution rights.

Share Based Payments
In the period ended 1 June 2018, the Group issued an aggregate of 36,900 shares to Management at the closing of the acquisition (see note 11) on 23 June 2017, and subsequently in December 2017 and February 2018.

As of the balance sheet date, the estimated market value of the shares granted is £1.4m. This has resulted in a charge to the profit or loss account of £231,000 during the year.

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

Grant date	June 2017, December 2017, February 2018
Expected volatility	30.3%
Expected term	3.94 years
Risk free rate	0.25%
Dividend yield	0.00%

	Number of shares 2018 No.	Weighted average exercise price 2018 £
Outstanding at beginning of year	-	-
Granted during the year	36,900	1.00
Forfeited during the year	-	-
Vested during the year	-	-
Expired during the year	-	-
Not vested at the end of the year	36,900	1.00
Vested at the end of the year	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

23. RESERVES

Profit and loss reserve

The profit and loss 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.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Non-controlling interest

	2018 £'000
On acquisition	2,443
Purchase of non-controlling interest	(383)
Profit for the period	1,325
As at 1 June 2018	**3,385**

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 £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 £0.3m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

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 1 June 2018 the Company and Group's indebtedness amounted to £692.0m of which £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 Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of provisions for doubtful debts. Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. The adoption of IFRS 9 has had no effect on the results for the period.

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.

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

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 swaps at 1 June 2018 can be found in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

25. FINANCIAL INSTRUMENTS – continued

Fair values of financial assets and liabilities
Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
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.

The following table sets out the carrying value of the Group's financial assets and liabilities by category at 1 June 2018:

	Total £'000
Financial assets	
Amortised cost	
Cash and bank balances	32,725
Trade and other receivables	30,689
Financial liabilities	
Amortised cost	
Trade and other payables	29,117
Other financial liabilities measured at amortised cost (see note 18)	758,791
FVTPL	
Interest rate swaps	329

26. CAPITAL COMMITMENTS

There were no capital commitments at 1 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 49 WEEKS ENDED 1 JUNE 2018

27. ULITIMATE PARENT COMPANY

The Directors regard IndigoCyan HoldCo 2 Limited, a company registered in Jersey as the immediate parent company, and IndigoCyan Topco Limited, a company registered in Jersey, as the ultimate controlling party.

28. RELATED PARTY TRANSACTIONS

Saltgate Limited ("Salgate") is a related party by virtue of common directors. During the period the Group made purchases of £182,000 from Saltgate and a balance of £120,000 was due to Saltgate at the period end, and included in accruals.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 1 JUNE 2018

		Company 2018
ASSETS	**Note**	**£'000**
Non-current assets		
Investment in subsidiary	**30**	1,000
Trade and other receivables	**31**	745,489
Total assets		746,489
LIABILITIES		
Current liabilities		
Loan and borrowings	**34**	(8,465)
Trade and other payables	**32**	(17,080)
Derivative financial instruments	**33**	(329)
		(25,874)
Non-current liabilities		
Loan and borrowings	**34**	(709,285)
		(709,285)
Total liabilities		(735,159)
NET ASSETS		11,330
Equity		
Share capital	**35**	1,000
Retained earnings		10,330
TOTAL EQUITY		11,330

The parent company's profit for the financial period was £10,330,000. The financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 31 October 2018.

Signed on behalf of the Board of Directors by:

Nathan Runnicles
Director

COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE 55 WEEKS ENDED 1 JUNE 2018

Company	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 12 May 2017		-	-	-
Issue of share capital	35	1,000	-	1,000
Profit for the period		-	10,330	10,330
Total comprehensive income for the period		-	10,330	10,330
As at 1 June 2018		1,000	10,330	11,330

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE 55 WEEKS ENDED 1 JUNE 2018

29. 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 preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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:
- 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;
- An additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements;
- 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 55 WEEKS ENDED 1 JUNE 2018

29. **ACCOUNTING POLICIES - continued**

Critical accounting judgements and key sources of estimation uncertainty
In applicable of the Group's accounting policies described above the directors required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

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

Impairment of non-financial assets
The Group's impairment test for goodwill and intangible assets with indefinite useful lives 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 budget 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 55 WEEKS ENDED 1 JUNE 2018

30. **INVESTMENTS**

	Company investments in subsidiaries £'000
COST	
Additions	1,000
Impairment	-
At 1 June 2018	1,000

The Company owns the following subsidiary undertakings, which are included in the Group's consolidation:

Name	Country of incorporation	Ownership	Principal activity	Class of holding
Entities with registered office: 1 Waverley Place, Union Street, 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*	Jersey	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
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

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 55 WEEKS ENDED 1 JUNE 2018

30. **INVESTMENTS - continued**

Name	Country of incorporation	Ownership	Principal activity	Class of holding
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
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

*Indirect subsidiaries

31. **TRADE AND OTHER RECEIVABLES**

	Company 2018 £'000
Amounts falling due after one year:	
Loans to group undertakings	745,489
	745,489

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 55 WEEKS ENDED 1 JUNE 2018

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

	Company 2018 £'000
Amounts falling due within one year:	
Amounts owed to group undertakings	17,080
	17,080

Amounts owed to group undertakings due within one year are repayable on demand and attract no interest.

33. **DERIVATIVE FINANCIAL INSTRUMENTS**

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

	Company 2018 £'000
Interest rate swap	329
	329

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 £200,000,000 and it matures on 30 November 2020.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE 55 WEEKS ENDED 1 JUNE 2018

34. LOAN AND BORROWINGS

	Current 2018 £'000	Non-current 2018 £'000	Total 2018 £'000
Bank loans	8,465	312,324	320,789
Shareholder loans	-	396,961	396,961
	8,465	709,285	717,750

Current bank loans represents a revolving credit facility, which is repayable within one year and attracts interest at LIBOR + 4.00%. The facility is available until 2023. Non-current bank loans represents a term loan facility, which is repayable in 2024 and attracts interest at LIBOR + 5.00%. Shareholder are repayable in 2047 and attract interest at a rate of 10.00%.

35. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each	Number of shares No.	Share capital £'000
Issued for cash	1,000,000	1,000
At 1 June 2018	**1,000,000**	**1,000**

On incorporation the Company issued 1 Ordinary share of £1 each at par. A further 9 Ordinary shares of £1 each were issued at par on 21 June 2017 and a further 999,990 issued at par on 23 June 2017. Each share carries pari passu voting rights.

COMPANY INFORMATION

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