POWERING POTENTIAL

ANNUAL REPORT 2021

And Financial Statements 2021

IndigoCyan HoldCo 3 Limited

(Herein referred to as "QA" or the "Group")

POWERING POTENTIAL

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

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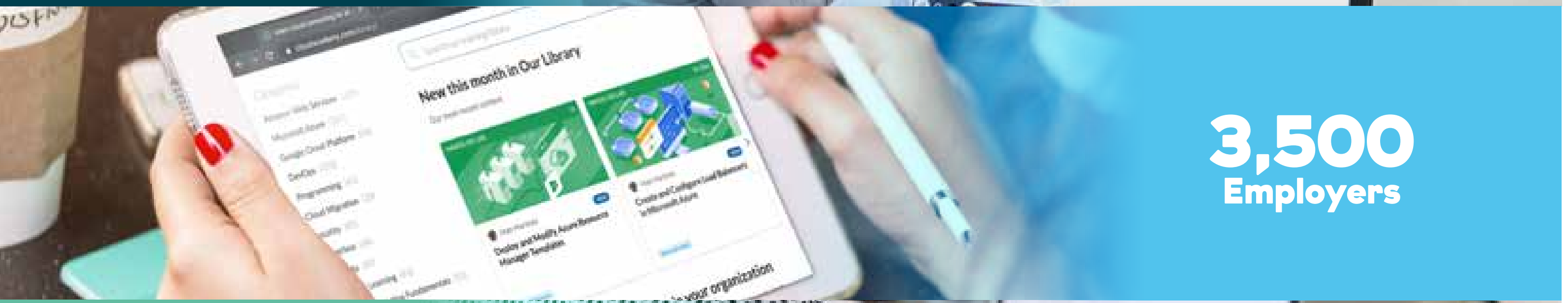
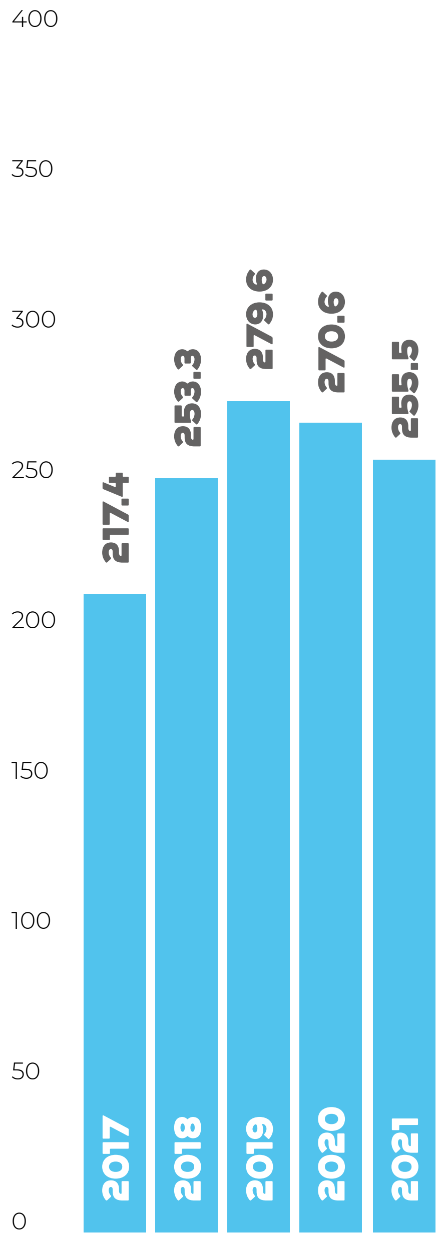
KEY HIGHLIGHTS

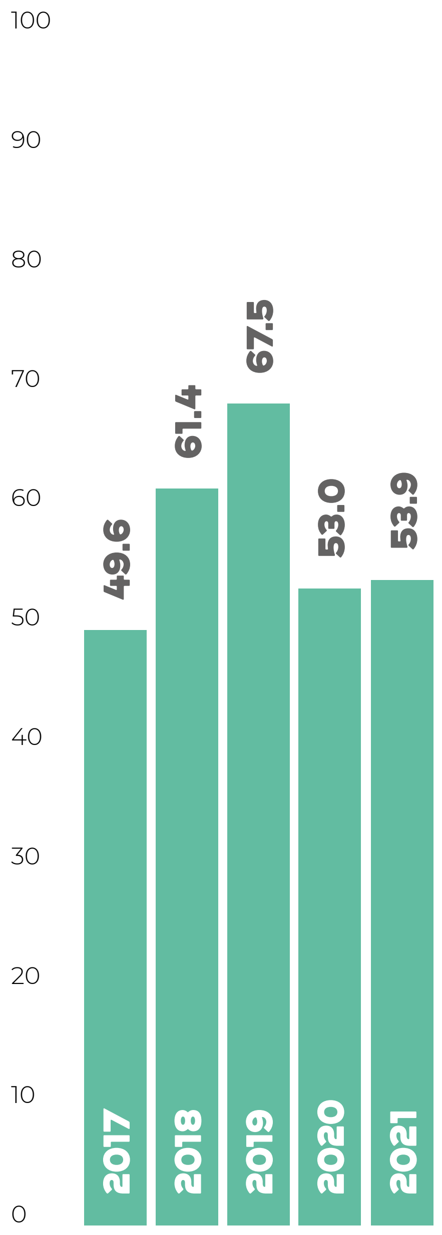
QA is the UK's leading technology talent and training organisation. We are specialists in technology, providing a comprehensive suite of both talent and training services, helping individuals and companies to be winners in the digital revolution.

In 2021 we served more than:

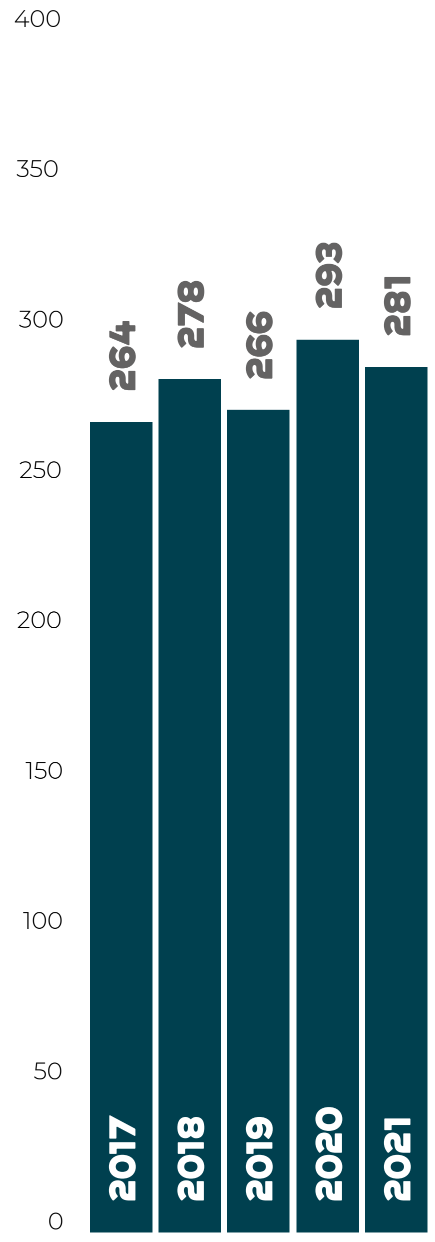




REVENUE (£'M)



ADJUSTED EBITDA* (£'M)



LEARNERS ('000)

*Table 1 (pg 46) and Table 3 (pg 50) include the definition of Adjusted EBITDA and the reconciliation to the Group's loss before tax.

WHAT WE DO

At QA we help our clients and learners to win in the digital revolution. Through our unique combination of world-class digital and live skills development capabilities we deliver proven workplace outcomes.

We are specialists in technology – providing a comprehensive suite of talent and training services which support businesses and government organisations to tackle the global digital skills shortage.

More than 280,000 people learnt with QA last year. We deliver services to over 3,500 corporate clients, including more than 80% of the FTSE 100. We have leading practices in Agile, Cyber Security, Cloud and DevOps – as well as many other technology specialisms. We partner with the world's largest tech companies, with accreditations including being a Microsoft Gold Delivery Partner. Our deep-rooted vendor partnerships mean that we deliver a significant portion of the UK's cloud training. We specialise in the people side of technology transformation – our training programmes help organisations to upskill or reskill their existing employees and our talent services are used to identify, recruit and upskill diverse technology talent.

TRAINING SERVICES – ADVANCING THE SKILLS OF YOUR TECHNICAL STAFF

TRAINING COURSES

For the last 30 years we have consistently invested in our trainers, technology and facilities to become a trusted training and talent partner for global businesses and government organisations alike. We offer a broad range of courses and wider training services across multiple subject areas – including Cyber Security, DevOps, Cloud Computing, Project Management and Data Analytics – to help businesses to develop and grow technology talent within their organisation.

Our public schedule offers a broad spectrum of technology training programmes that are delivered both in classroom and increasingly through live virtual attendance – a capability that enabled us to ensure our full schedule was available for clients during the Covid lockdown. We also offer private delivery of these programmes, and develop bespoke courses to meet clients' specific training needs.

MANAGED & 3RD PARTY SERVICES

For training that sits outside of our core technology specialisms, we have a network of hundreds of trusted learning partners. We source and book thousands of 3rd party programmes on behalf of our clients, providing clients with a fully managed service. We take on all of the administration, sourcing and management of training spend to help our clients deliver more efficiently and effectively on the Learning and Development (L&D budget).

CLOUD ACADEMY

Cloud Academy is our global, subscription-based digital learning platform that allows clients to baseline and upskill their teams across a range of essential Cloud technologies. Covering Amazon Web Services, Microsoft Azure, Google Cloud, DevOps, and other cloud ecosystem services, new content and updates are added every month. Clients are able to create and assign bespoke learning pathways to individuals and teams, and track their progress in real time, and learners can test the application of their newly gained skills using Cloud Academy's 'labs' capability.

CIRCUS STREET

Circus Street is the most recent addition to the QA Group. Operating globally, its digital learning platform allows clients to help their teams understand how technology is changing the relationship between businesses and their customers. Covering disciplines such as customer experience, data & targeting and digital marketing strategy, it recognises that these areas are changing at an exceptional rate, and are business-critical in the battle to get ahead and stay ahead. Circus Street partners with the commercial, marketing and training leads within organisations to design learning paths that meet their individual requirements, and uses high quality video content including custom animation, dynamic presenters and creative script writers, to deliver exceptional levels of engagement.

TALENT SERVICES – BUILDING YOUR TEAM OF TECHNOLOGY TALENT

The technology sector is facing a supply-and-demand dilemma like no other. The talent which businesses need to succeed and grow is in short supply, and it often commands too high a price. Our range of technology talent services means that the right people are never in short supply – we are succeeding where recruiters cannot. Over 90,000 candidates a year apply for a technology position through QA, attracting applications from a diverse mix of backgrounds and experience levels. Not only do we find diverse and ambitious talent – we arm them with the technology skills businesses need to transform.

APPRENTICESHIPS & FUNDED WORKPLACE LEARNING PROGRAMMES

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

We support organisations looking to maximise the use of their apprenticeship levy, understanding their needs and requirements and then work to identify the best combination of programmes for them. Based on our findings, we then either recruit apprentices to provide a pipeline of future talent, or identify internal staff who would benefit from upskilling in-role.

Our programmes are 'digital by design' meaning they use a unique combination of online, offline and face-to-face learning – introducing each element where it adds the most value for learners.

TECHNOLOGY SPECIALIST ACADEMY

Our Technology Specialist Academy ensures our clients have access to a ready-to-go roster of junior tech specialists in areas such as Tech BAs, Software Developers, Cloud, Cyber, DevOps, Data, Pega, AI, RPA and Testing specialists. Operating on a Recruit, Train, Deploy model, we recruit the best technically-minded people, train them via our British Computer Society (BCS)-accredited 12-week academy, and then deploy them into our clients' businesses to help meet their digital requirements.

By handling all the recruitment, training and administration we reduce the risks and costs of hiring and enable businesses to rapidly scale their technical project delivery capability. In addition to offering a ready-to-go roster of tech specialists, we can also build large tech teams to order based on specific client requirements. This Squad-as-a-Service™ offering enables clients to quickly stand-up whole new, multi-layered tech teams to deliver projects.

SKILLS BOOTCAMPS

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

Clients have used our Skills Bootcamp programmes to retrain back-office administrators and redeploy them as data engineers or upskill IT service desk engineers into fully-fledged software developers. Additionally, the academy can be a used as way to rapidly give new employees the skills they need to deliver at pace, or as an outplacement programme to offer to transitioning employees.

HIGHER EDUCATION

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

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

CHAIRMAN'S STATEMENT

As organisations emerge from an extraordinary year and into a period of renewal and growth, the shortage of skilled tech talent is perhaps the single greatest issue holding them back. It exists in many areas, but the persistent skills gaps in technology present a threat to the competitiveness and growth of organisations across the UK.

Increasingly competitiveness depends less on access to the technology itself and more on having access to the people with the skills to harness it. According to the Learning and Work Institute, 76% of businesses report[1] that a lack of digital skills could affect the profitability of their business. These gaps aren't new but Covid has driven a digital acceleration like never before, making the urgency to deal with this issue greater than ever. Failure to address the tech skill gaps could cost the UK as much as £140 billion in lost GDP by 2028.[2]

Societally, the consequences of a failure to access skills are just as serious. Access to training is uneven and participation in training by those in lower skilled jobs most at risk of automation is 40% lower than higher skilled workers and half of those in the lowest socio-economic group in the UK have received no training since leaving school.[3] As a result, it is the most vulnerable in society who are at greatest risk – their roles are the most likely to be lost, and they as individuals are currently least likely to have the skills or access to training required to secure the new tech roles in growth areas.

Added to this is the increasing importance and value that business leaders are placing on diversity and inclusion, however, only 15% of the tech workforce are from BAME backgrounds and gender diversity is currently sitting at 19% compared to 49% for jobs outside of the sector.[4]

With 9 in 10 of the 2030 workforce already employed, the majority of the solution to the skills gap in the next decade will be found amongst existing staff. But an analysis of future skill requirements shows that as much as half of the working population in the UK lacks the skill level required. That amounts to 15 million people. By 2030, 30 million people (or around two thirds of the workforce) will require reskilling, of whom 5 million will be acutely under-skilled in basic digital skills.[5]

Business leaders must make workforce planning a key component of any strategy discussion. They will need to embrace investment in training as an imperative or risk seeing competitiveness and their existing talent leach away. Reskilled, these individuals offer competitive advantage in the shape of both tech skills and an understanding of the corporate culture, individuals offer a competitive advantage, client needs and the existing product portfolio.

What we do at QA is at the heart of where organisations will find the solution. We train over 200,000 people every year in technology related skills, from introductory cyber skills workshops for secondary school children, through degree and tech apprenticeships and flexible, part time degree courses, to upskilling hundreds of thousands of adult employees in the private and public sector with digital skills ranging from cyber to data and digital marketing.

Our digital skills bootcamps are helping individuals without jobs, and employers that need to retrain existing staff, to acquire much in demand tech skills such as software engineering, data engineering and cyber security. The contracts for these bootcamps are structured to place significant emphasis on labour market outcomes – with employers heavily involved in the design and delivery of learning and standing at the exit gate ready to recruit the graduating learners.

Through Teach the Nation to Code (TTNTC), our coding workshops run by a number of passionate employees who give up their weekends to train, we have introduced thousands of individuals to the basics of programming, data management, DevOps and cloud technologies. The TTNTC team are igniting a passion for tech and the confidence to pursue a career in technology for many who might otherwise have not had the opportunity to learn. Recently TTNTC has also partnered with Salesforce to help the initiative reach even more learners. In the last 12 months, 50% of attendees have been female and 30% were from ethnic minority groups.

Covid has been a catalyst for us at QA. Delivery has been transformed with our offer now being more accessible than ever through virtual and blended delivery. We've seized the opportunity through 'digital' to make learning more effective, enjoyable and impactful for learners, driving even better returns for employers' investment.

Looking forward we predict sustained growth in the demand for what we do, boosted by the innovation we are driving across every part of our business. Our goal is to help our clients, learners and students win in the digital revolution. The coming year we predict several exciting developments that, together with the momentum we are already generating, leave us excited for the future.

Sir Charlie Mayfield
Chairman

What we do at QA is at the heart of where organisations will find the solution.

[1] Learning and Work Institute, Disconnected? Exploring the Digital Skills Gap
[2] It's learning. Just not as we know it. report, 2018. Accenture
[3] Industrial Strategy Council 2020 – UK Skills Mismatch
[4] Diversity in Tech, Promoting Diversity and Inclusion in Technology
[5] CBI Learning for life, funding a world-class adult education system, October 2020

CEO REVIEW

Across every industry sector, profession and arm of Government, the effective use of technology is critical to emerging stronger from the pandemic, yet the shortage of people with the right skills and capability continues to grow. According to research by McKinsey, nearly nine in ten executives and managers think their organisations either face skill gaps already or expect gaps to develop within the next five years while the Learning and Work Institute reports that 76% of businesses say that a lack of digital skills would affect the profitability of their business.[6]

The consequences of this ongoing shortage are severe; the widening number of unfilled vacancies, estimated to be 100,000 per month in the middle of 2021, is already costing the economy £6.3 billion in lost GDP each year.[7] But the opportunity for employers and individuals is significant. Closing the local digital capital gap for SMEs alone would transform the UK, boosting economic output by as much as £145 billion and supporting 2.7 million new jobs in the process.[8]

QA is laser-focused on addressing the growing global skills shortage. Our vision is to help our clients, learners and students to win in the digital revolution; the pandemic has only made this vision more relevant and important.

We help employers build the in-demand skills they need such as cloud, data analysis, digital marketing or software engineering. We do this through a comprehensive range of training and talent solutions that blend the best of live and self-paced digital training - including training courses, reskilling bootcamps, tech apprenticeships and degree apprenticeships.

As many continue to debate the various merits of apprenticeships and university degrees, we are committed to strengthening our offering from Level 3 apprenticeships through to Degree Apprenticeships and postgraduate qualifications with work experience options, to provide our learners and students with multiple routes to work-ready skills that will strengthen their employment prospects and contribution in the workplace

PROGRESS ACROSS THE BUSINESS

In the last 12 months, we have made significant progress across all parts of our business. Although, due to Covid pandemic, revenue declined, 6% to £255.5m (2020: £270.6m), our adjusted EBITDA was up at £53.9m (2020: £53.0m) and positive cash generation ensured the Group was able to continue to invest in its strategic priorities and digital transformation.

In our apprenticeship business, I am proud to say that our apprentices achieved the highest overall pass rate among UK tech training providers (based on end-point assessments by the British Computing Society) and tripled distinctions in Digital Marketing Level 3 apprenticeship programmes.

The QA apprenticeship team also successfully updated our programmes in line with the change in IFATE apprenticeship standards, to meet aggressive deadlines in June 2021, and we collaborated with Microsoft to create a unique Azure Cloud Support Specialist apprenticeship designed to equip individuals with little or no tech experience with the skills required for much-in-demand infrastructure roles.

We have also significantly grown our Skills Bootcamps proposition, 9-14 week skills training programmes that provide in depth training in key tech skills. We rolled out tailored bootcamps for financial services organisations and delivered a pilot scheme bootcamp in Greater Manchester, the precursor to the Government-funded Skills Bootcamps that are now pivotal to the Prime Minister's levelling up agenda. Having successfully delivered the pilot, we were awarded a Department for Education contract which will see QA roll out 20 bootcamps to learners across England in cyber, data engineering, DevOps and software engineering, upskilling more than 700 individuals in tech skills that will equip individuals with the skills to secure well-paid jobs in a growth industry. This is a project that really encapsulates our vision to create winners in the digital revolution and to reduce the digital skills gap.

As a result, I am delighted to report that we have made great progress over the last year in delivering on 5 fronts:

1. Build and roll out a world-leading digital and live learning offer in the UK – for apprenticeships and corporate learning
2. Support global clients' needs for digital transformation
3. Building a differentiated tech talent offering
4. Invest in new products, partners and innovation for our Higher Education business to supercharge growth
5. Make the necessary tech and people investments in our own business to support growth

BUILD AND ROLL OUT A WORLD-LEADING DIGITAL AND LIVE LEARNING OFFER IN THE UK – FOR APPRENTICESHIPS AND CORPORATE LEARNING

At QA we believe that both digital and live learning have a role in delivering the skills our clients need and are excited to be increasingly using a blend of the two to deliver optimal results.

Our market-leading live training courses became 100% virtual due to the pandemic, and we invested to make the experience for learners even better with improved technology and adaptation of our learning tools and approaches for virtual delivery. As a result of these improvements we have seen evaluation scores for our programmes increase in every category we measure. I'm most proud of the Learning effectiveness measure and Net Promoter Score which were ahead 7% and 19% respectively, as it demonstrates the quality of our live learning experience and the quality of our trainers who had to pivot to a new virtual-first delivery model

I would like to thank our trainers and delivery staff for their continued focus on providing our learners with the best possible experience throughout the last 12 months. Their commitment to the learner experience throughout the pandemic has ensured that our learners and employers continue to acquire the tech skills they need.

Alongside improvements in our live learning experience, our digital platform Cloud Academy goes from strength to strength as clients and learners embraced the platform to grow their cloud, software and data skills using world-class features including live-labs, content customisation and career paths aligned to different technical job roles. We have expanded the course portfolio to over 2,000 courses, 250 learning paths and 500 labs – all of which enables us to serve an increasing proportion of our client's tech teams. Quality improvements were also made to strengthen subscription renewals including increased gamification elements, UX improvements and infrastructure upgrades. These changes, along with doubling the team, have resulted in Cloud Academy bookings growing over 90% on prior year with net renewal rates now running over 100%.

Alongside continued focus on refining our live and digital learning experiences, throughout FY21 we have been researching, building and piloting a revolutionary approach to learning that we will be launching in FY22. QA's Total Learning™ combines the best of our digital and live learning. Total Learning™ courses start with self-paced knowledge acquisition using the Cloud Academy platform, with bespoke videos, animation, written work and quizzes for learners to get the essential knowledge they need. Next comes live learning with experts helping learners go deeper into

[6] Learning and Work Institute, Disconnected? Exploring the Digital Skills Gap
[7] It's learning. Just not as we know it. report, 2018. Accenture
[8] Industrial Strategy Council 2020 – UK Skills Mismatch

a subject and understand how to apply the knowledge in the real world – again using the latest interactive tools to maximise the benefits of live learning. Finally, the learner puts what they've learned to the test – either in an exam or back in the office with a real project. We've piloted this new approach with a range of different learners and clients in both large and small organisations; feedback has been hugely positive, so we are really excited to roll out this approach across our biggest courses supported by a structured go to market strategy.

We have also looked to apply this blended approach to drive improvements across our Higher Education programmes this year, making investments to enhance the learning experience for our students. For example, our Roehampton BSc Computing Technologies programme and our Roehampton BSc Digital Business Management programme have both been redesigned with a blended format for a mixture of live online lectures and on-campus classes with supplementary online activities to ensure a coherent experience for students.

SUPPORT GLOBAL CLIENTS' NEEDS FOR DIGITAL TRANSFORMATION

A key aspect of our overarching strategy this year was to increase our ability to support our global clients' digital transformation needs. We have a strong track-record in the UK and have historically supported the UK operations of a number of global businesses. Growing our capabilities beyond the UK has been an important focus for us in the last 12 months and with good reason. IDC projects that worldwide spending on digital transformation investments will reach $6.8 trillion in 2022[9] as companies of every size and industry transform how they do business in the digital age, allowing us an opportunity to extend QA's work globally.

Cloud Academy helps our global clients systematically measure, plan and deliver upskilling of their technical teams. To broaden our global digital offer, QA recently acquired Circus Street (note 30), an award-winning online training solution specialising in upskilling the commercial teams of global enterprise clients in digital marketing, data analytics, agile and ecommerce.

The Group's library of engaging, entertaining, and informative lessons delivers exceptional business outcomes for the world's largest brands. Circus Street's product offering is unique – blending technology, education and visual arts – and has resulted in high levels of learner engagement and customer advocacy.

Importantly Circus Street continues to expand QA's global reach, with over 500,000 learners in over 150 countries having used the platform to date. It also increases QA's addressable market taking us beyond our core tech offer to clients to help them meet the increased demand from their commercial functions to develop digital marketing and data analytics skills.

"For us, it's them getting past the exam that's kind of the end of it, then they go back to work and we don't really follow up .... But this add-on, the apply phase. .. helps us and almost forces us, the candidate and the line manager to assess how the new knowledge gained has been put into practice, [showing] the benefit of the education." ***(Customer, Medium)***

"I think [the apply stage is] really good. The point with taking a course is to be able to use what you learn. So from my perspective, it was very important to prove to myself that I am actually doing what I should be doing." ***(Learner on Agile pilot)***

"The way it was presented was much more in line with how you'd be presented with the challenges... it tells you how you'd really be told in the work environment... so it translates rather than a step by step structure." ***(Learner on React pilot)***

[9] https://www.idc.com/getdoc.jsp?containerId=prUS46967420

CONTINUE TO BUILD A TECH TALENT OFFERING

Through the year we continued to grow our tech talent offer, where we use intensive digital bootcamps to prepare people for junior technical roles. We exited the year with 52% more of our people (who had successfully completed the tech bootcamp) deployed onsite with our clients. We also ran a number of tech skills bootcamps for our client's employees – these proved particularly popular in the Systems Integrator and Financial Services sectors. We continue to explore expansion potential in the US, but for now have elected to remain focused on developing the UK proposition and stabilising performance of the business.

INVEST IN NEW PRODUCTS, PARTNERS AND INNOVATION FOR OUR HIGHER EDUCATION BUSINESS, TO SUPERCHARGE GROWTH

Our higher education business has seen significant growth in FY21.

International revenue was a key driver of this and was achieved by expanding our university partnerships and product offerings to appeal to the international market, as well as significant investment in marketing, recruitment, admissions and compliance staffing. Growth has been particularly notable in key Asian and African markets such as India, Pakistan, Nigeria and Morocco.

One such partnership was our new relationship with the University of South Wales. QA started working with this new partner in April 2021 and will deliver an International Pathway at the university's Cardiff and Pontypridd campuses.

We also expanded our work with existing university partners such as Northumbria University London, where we launched a range of new programmes including: MSc Big Data and Data Science Technology, MSc Artificial Intelligence Technology, MSc Technology for Sustainable Cities and a Graduate Certificate in Computing and Technology.

Student performance and satisfaction has been strong with the programmes proving popular with both the home and international market.

Our higher education business also increased its degree apprenticeship provision this year. We have been building new degree apprenticeship offerings in this space to be able to further capitalise on the increase in employers who are looking to upskill their existing staff utilising the apprenticeship levy.

Higher Education and apprenticeship provision is highly regulated, requiring regular 3rd party assessment and review to ensure we are maintaining external academic quality standards. In 2020 our apprenticeship provision received a Good rating by Ofsted and the external reviews continued into this FY with visits to our Ulster and Northumbria university branch campuses by the Quality Assurance Agency (The QAA). The inspectors reported strong academic performance at both branch campuses with overall student satisfaction levels in line with those recorded pre-pandemic and pass rates in line with or above those at the universities' main sites.

MAKE THE NECESSARY TECH AND PEOPLE INVESTMENTS IN OUR OWN BUSINESS TO SUPPORT GROWTH

Having the best digital tools in place to run our own business is critical to providing our clients, students and learners with the very best service.

We made a number of investments in QA's back-office technology to ensure our own business and people are set up as professionals for the digital age. Our tech and content investments have increased fourfold. For example, our new employee performance management system, Compass, launched in December. This was introduced to facilitate a continuous approach to performance and career development – something that our employee survey told us is hugely important to our people.

This system was part of a raft of people-focussed investments and initiatives made in the last 12 months.

We rolled out a new career framework for QA employees. The launch was followed by a mapping exercise to ensure that every role in the organisation now correlates to the framework with standardised job descriptions and role-based competencies. It also includes development routes, clearly mapping out employee progression opportunities.

The Employee Partnership Forum (which was originally launched in the wake of Covid in 2020) is now an integral part of our employee relations at QA. The group continues to meet every month to share feedback gathered from the wider employee base and drive improvement actions. It has been further enhanced with a Diversity and Inclusion sub-committee established this year. The EPF has worked together with the QA People Team to achieve Bronze D&I accreditation with Clear Assured and in our latest employee survey 94% of our people said they felt QA was an inclusive place to work.

We are also rolling out a Leading Edge development programme to our top 100 leaders in the organisation. This is a first for QA and a key investment and commitment to all our senior leaders. It is a 12-month programme that aims to elevate individual and collective leadership skills, building a strong community of senior leaders who all have a shared understanding of our growth plans with a view to delivering them in a unified way.

All of these people initiatives have led to significant improvements to our employee NPS scores rising from +17.5 to +20.5.

In summary, I am immensely proud of QA's performance over the last 12 months. We – along with many others – have weathered a tough storm over the last 2 years and come out of it in a strong position for future growth. Our people have shown resilience and commitment, continuing to rise to the challenge and support our clients, learners and students to win in the digital revolution.

Paul Geddes
CEO

Our vision is to help our clients, learners and students to win in the digital revolution.

Our Cloud Academy colleagues enjoy a team get together

Keeping our people up-to-date virtually during lockdown

Our teams having fun both inside and outside the classroom

OPERATIONAL KEY PERFORMANCE INDICATORS

WE HAVE A NUMBER OF OPERATIONAL KPIS AS FOLLOWS:

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

LEARNERS

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

KPI

Average learner Net Promoter Score (NPS) was:

57

meaning over 90% of learners would recommend us.
(2020: 57)

REGULATORS

Ensuring national quality standards are met.

KPI

Ofsted Good Provider.
Successfully QAA reviewed.

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

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

Solutions for every skills gap (training, apprenticeships, Higher Education programmes, academy consultants).

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

TO ENSURE WE ARE ATTRACTING AND RETAINING THE BEST TALENT

1,936

average employees
(2020: 2,132)

376

employee shareholders
(2020: 338)

7

year average manager tenure
(2020: 7)

THE BOARD

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

SIR CHARLIE MAYFIELD

Chairman

APPOINTED: NOVEMBER 2017

Charlie joined QA as Chairman in November 2017.

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

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

PAUL GEDDES

Chief Executive Officer

APPOINTED: SEPTEMBER 2019

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

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

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

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

NATHAN RUNNICLES

Chief Financial Officer

APPOINTED: MAY 2018

Before joining QA Nathan was CFO at Tes Global and Research Now Group Inc.

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

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

RICHARD BLACKBURN

Non-Executive Director

APPOINTED: JUNE 2017

Richard is a Senior Managing Director at CVC.

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

ROB LUCAS

Non-Executive Director

APPOINTED: JUNE 2017

Rob is a Managing Partner at CVC.

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

LENGTH OF TIME SERVED ON THE BOARD

1-2 YEARS: 1 **2-4 YEARS: 3**

PG	NR	CM	RB	RL

THE EXECUTIVE LEADERSHIP TEAM

SRIKANTH IYENGAR

Chief Client Officer

APPOINTED: NOVEMBER 2019

Srikanth joined QA as Chief Client Officer in November 2019.

Prior to QA, he was the Group Chief Executive – Europe at Conduent, driving their vision to become a digital interactions leader in Europe. He has previously been the Group Sales Officer and a Member of the Group Executive Committee at Capgemini, where he had direct oversight of Capgemini's strategic global accounts, with annual revenues in excess of 2 billion Euros. Srikanth has previously been at IGATE, where he co-led the merger of IGATE with Capgemini, and at Infosys, where he was Regional Head of Europe for Financial Services and Head of Infosys UK.

JAMES FROST

Chief Marketing Officer

APPOINTED: JANUARY 2020

James joined QA in January 2020 as Chief Marketing Officer.

James has worked in Marketing and Product Development for his entire career, working across both B2C and B2B organisations. He started out at Unilever, running their detergents brand portfolio across Europe, before moving to become the Marketing Director for the Nectar loyalty programme. Most recently he spent four and a half years as the Chief Marketing and Commercial Officer for the UK division of Worldpay, where he was part of a team that managed a successful IPO in 2015.

KATIE NYKANEN

Group Chief Technology Officer

APPOINTED: SEPTEMBER 2021

Katie joined QA in September 2021 as Group Chief Technology Officer.

Katie joins from Adstream, a leading digital asset management platform used by brands and agencies, where she spent 9 years managing the global technology function. She has over 20 years' industry experience, was named female CTO of the Year in 2019 and placed #16 on the CIO 100 list, a list which recognises transformational and disruptive CIOs. Katie will lead QA's group technology function.

SIMON NELSON

CEO (QA Higher Education)

APPOINTED: SEPTEMBER 2021

Simon joined QA in September 2021 as CEO, QA Higher Education.

Founder and CEO of FutureLearn, the online learning platform launched by the Open University and used by world-renowned academic institutions, Simon was responsible for scaling the platform from start-up to reaching a global audience of more than 15 million students.

Prior to this, Simon played a key role at the BBC for more than a decade, leading the BBC Radio digital strategy and playing a major role in the development and launch of BBC iPlayer. Most recently Simon headed up the digital strategy at Nord Anglia Education, the world's largest international schools group.

DARREN BANCE

Managing Director (Education Operations)

APPOINTED: JANUARY 2020

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

Prior to QA, Darren was Executive Director of the Learning Services at Capita, leading the division that included the learning and training businesses; Apprenticeships, BlueSky, Brightwave, G2G3, Fire Service College and Knowledgepool. Darren spent 10 years in the Middle East creating operations and service management capabilities and delivering tech enabled business change programmes for private and public sector clients.

STUART MARTIN

Managing Director (Sales)

APPOINTED: JUNE 2008

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

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

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

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

STEFANO BELLASIO

Chief Digital Officer and CEO (Cloud Academy)

APPOINTED: JULY 2019

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

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

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

RICHARD TOWNSEND

CEO (Circus Street)

APPOINTED: JULY 2021

Richard started a career in media and advertising with The Media Centre, part of the DMB&B advertising group.

Richard specialised in the emerging area of digital marketing, cutting some of the UK's first deals with iconic digital brands such as Yahoo, AOL, Google and Facebook. He set up the digital division of Starcom Mediavest growing it into one of the largest buyers of digital services in the UK. In 2009, he set up Circus Street, which he later pivoted into an online learning business in response to the desperate need for digital skills within his clients. Richard grew Circus Street to be one of the world's most widely used and best respected Ed-tech businesses in the corporate sector.

LENGTH OF TIME SERVED ON THE BOARD

1-2 YEARS: 5					2-4 YEARS: 2		4+ YEARS: 1
KN	SN	JF	DB	RT	SI	SB	SM

OUR PEOPLE

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

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

EMPLOYEE ENGAGEMENT AND WELLBEING

In November 2020, we sought employee feedback in order to measure engagement levels. The bi-annual survey gives employees the opportunity to be able to anonymously feedback on how they are feeling at work. We can then compare those results and identify any employee engagement issues that may need resolving.

Over 900 people participated in the survey representing 53% of the total employee base in November 2020. The results were generally very positive – particularly in the wake of the pandemic and mass business disruption – with our overall eNPS score rising from 9.7 in 2019 to 17.5 in 2020. eNPS reflects employee experience and is measured by rating “How likely would you recommend QA as a place to work?” from 1 to 10. An eNPS above 0 is acceptable, anything above 10 is good and 30 + is market leading. After analysing the results, we decided to target 3 key areas of improvement at Group level; career development (see learning and development section of this report), communication of our vision and how we recognise our colleagues (see reward and recognition section of this report).

In the New Year, following the survey, we collaborated with our Employee Partners to investigate these areas in more detail. Our Employee Partners ran 26 focus groups with more than 200 employees across a 4 week period to dig deeper into what we could improve and to discuss suggestions on how. We identified several themes of improvement and then defined potential initiatives at both Group and local level. We’ve launched a number of initiatives in response to this work, including:

INTERNAL VACANCY PROMOTIONS

Feedback suggested that there was not always an obvious way to find out about new roles and career opportunities across QA. In response, our internal recruitment team launched a monthly email newsletter. It goes out to all employees and promotes all the internal vacancies on offer across the business.

MORE FREQUENT EMPLOYEE COMMUNICATIONS

We used a combination of communication channels, platforms and techniques to ensure our people felt connected and informed. The executive team hold quarterly ‘All Hands’ employee calls where updates are given on financial performance, key strategic initiatives and used as an opportunity to celebrate group and individual successes. In addition the exec team also hosted monthly Senior Leadership Group (SLG) calls. Attended by 75 of our most senior leaders in the business, the calls were more collaborative in their nature and were used to workshop key issues or people initiatives. The sessions ensured management buy-in, along with consistency in the way managers were communicating with and running their teams.

In September 2021 we hosted our first virtual all-employee conference. It differed from the monthly all-employee calls as it was more in-depth, with breakout sessions, panel Q&As and an interactive charity voting poll. The event was broadcasted from a studio live across all of our locations, and it also featured a celebration event dedicated to the champions of lockdown – called Lockdown Legends.

WAYS TO STAY CONNECTED TO COLLEAGUES

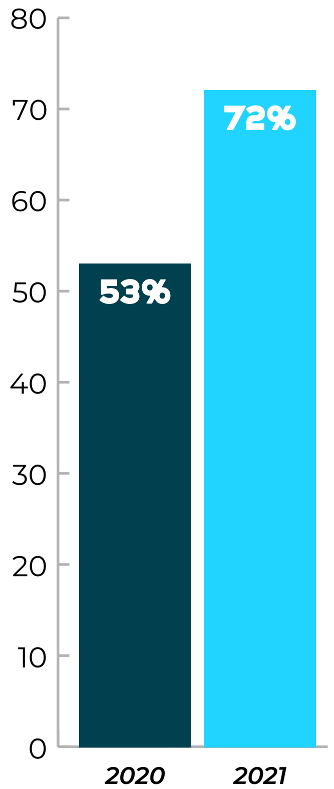
Microsoft Teams has also been a key mass employee communication tool. Three core Teams areas have been set up and are regularly used to share updates with key employee groups. The first is an all-employee Teams channel where regular updates are posted on key policy changes, updates on home-working, people news and successes. It is a two-way communications channel so employees can like, comment and interact with the updates as they are posted. The second Teams area is for the SLG and is used to store key information, updates and supporting materials that arise from the SLG calls. It is also used as a forum for senior managers to discuss issues and share their thoughts. The third Teams area is for all people managers and is predominantly used by our People team to support line managers to manage and look after their people in a virtual setting.

Despite these being set up to support our people and the business during the pandemic, they will continue to stay and evolve as part of our employee communications and engagement strategy.

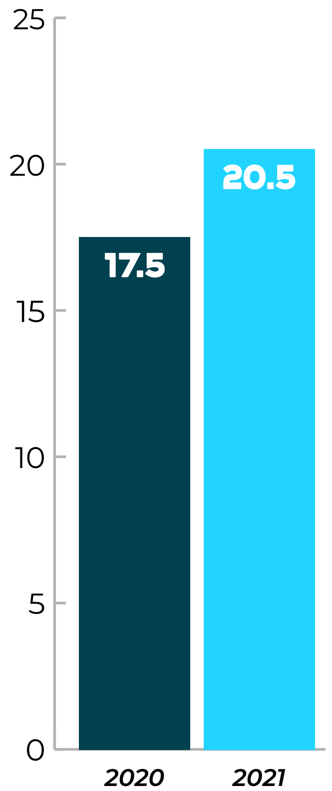
As well as the frequent business updates, the Teams channels are also used to promote a regular calendar of fun employee activities, including quizzes, cook-offs and sing-alongs. Our employee communications and engagement team ensures there is something for everyone including virtual mind and body sessions to support employee’s mental and physical wellbeing.

In May 2021 we re-ran the employee engagement survey and saw that the aforementioned employee initiatives were having a positive impact, attested by with improved engagement levels across the board. Participation levels increased from 53% to 72% and our eNPS scores also increased from 17.5 to 20.5.

Employee Engagement Survey Participation



eNPS Score



Our people made coming back to the office enjoyable for everyone

Today @ QA is the hub for staying connected and bringing to life the QA Spirit

LEARNING AND DEVELOPMENT

We are a learning organisation and as such, our people are encouraged to never stop learning themselves and to take advantage of the learning and career development opportunities we provide.

To support career progression within QA more formally, we introduced a number of new frameworks, approaches and programmes this year:

CAREER FRAMEWORK

Our career framework sets out 12 functional frameworks across the organisation and 9 job levels. Within each framework, roles are organised into more specific workstreams. The framework is being used to create visibility of all roles across the organisation to promote career development and is used by managers to help career development conversations. To complement the career framework, we also launched a competency framework that captures each competency required by our people to perform in their roles. The framework will show everyone the behaviours we value to progress up the career framework and help with their development.

As well as this, the framework gives us a structure to help us to be more fair, transparent and equitable when making pay decisions, for new hires, internal role changes and in the annual pay review process.

CONTINUOUS PERFORMANCE DEVELOPMENT

We've adopted a continuous performance development approach this year, replacing annual reviews. This approach and the supporting tech platform, Compass requires everyone to have a set of agile performance and personal development objectives agreed with their managers, give and receive realtime feedback and have regular one-to-one conversations between managers and employees both on performance and on development.

Utilising the career and competency frameworks, this supports individual, tailored discussions on how to best develop individual's skills and competencies. We also run regular internal 'Manage your career' workshops offered to all employees.

LEADERSHIP DEVELOPMENT AND INVESTMENT

Developing our leaders and managers as well as functional areas with targeted programmes have been a key priority this year.

We launched Leading Edge, our leadership development programme for our c.90 most senior leaders in March 2021. This is a 12-month bespoke programme that aims to (1) elevate our leaders' individual and collective capacity & capability, (2) increase cross-functional collaboration and (3) build a strong leadership community. It consists of a variety of interventions designed and delivered specifically for QA, including 3 development days, Hogan personality questionnaire, business deep dive sessions, bitesize learning modules and peer coaching.

We supported our 350+ managers with bespoke people manager workshops on continuous performance development and managing remote teams.

CONTINUOUS LEARNING AND DEVELOPMENT

We created a new programme of learning for our sales community, a bespoke Sales Academy that consists of self-directed and facilitated learning and resources, with additional learning modules being developed constantly. We also created a brand new Learning Excellence team responsible for the development and delivery of internal learning and development programmes for our delivery communities (Learning specialists and Digital Learning Consultants).

As part of our benefits package, we continue to offer our people access to three days of free training per year in any subject area they choose. These training days can be completely unconnected to our people's role – it is offered as an added benefit to encourage personal development.

Overall, in FY21 our people completed over 11,400 hours of learning and development. Six employees completed apprenticeships with us with a further eight employees currently on apprenticeship programmes.

We encourage personal development and support training unconnected to our people's main role

DIVERSITY AND INCLUSION (D&I)

QA is committed to building a culture that promotes equality, D&I, and one that actively values people's differences.

Given our size and reach, we know that we have a responsibility to do far more than just raise awareness. Our objective is to have a meaningful and tangible impact on improving how staff engage within our workplace, as well as on how people experience QA's products and services.

We have made real strides forward with this agenda in the last 12 months and followed a 4-pronged approach to our D&I strategy:

1. Exploratory sessions, data capture and monitoring
2. External D&I advice and expertise
3. Drive change using our people
4. D&I activity which support our clients, learners, students and colleagues

EXPLORATORY SESSIONS, DATA CAPTURE AND MONITORING

In June and July 2020 our executive team each hosted a series of employee focus groups to understand the experiences of staff in minority groups. The sessions were open-invite, and run in a way to allow participants to discuss their personal experiences in the workforce, as well as providing examples of barriers they may have experienced in the past. The intention was to identify some of the key points that we can learn from, and then act on at QA to help shape our D&I strategy for the year ahead.

One of the key take-aways was that D&I needed senior-level buy-in and focus. QA listened to this advice, and acted by appointing our Chief Marketing Officer, James Frost, as executive sponsor for the organisation's D&I strategy. He has been responsible for driving the strategy and activity in this space.

One of the first things James set out to do in this role was to benchmark and track QA's D&I metrics, allowing us to measure the impact of our activity. This started with a staff survey to understand how our staff felt about D&I in the workplace. In November's survey, 87% of employees agreed that they are 'encouraged to bring their whole selves to work and that others respect that'. Whilst this was an encouragingly high number, we were still concerned that 13% of employees did not feel this way.

In addition, we sought to better understand the makeup of our employee base so we could understand how diverse a business we are. We've recorded our demographic data at a basic level for some time now, but we wanted to delve deeper and capture all protected characteristics and relevant subgroups. We've now got much richer data than ever before. This data will inform our actions. With this baseline in place, we can start to regularly track our diversity metrics, analysing representation for protected characteristics across the business, and assess the impact of our initiatives to make QA an even better place to work.

DRIVING CHANGE USING OUR PEOPLE

In October 2020 we appointed 8 D&I Champions from across the business to lead from the front and help QA tackle D&I issues, with the support of our leaders. One of the first actions this group took was to establish 'QABeYou' – a virtual space hosted on Microsoft teams where staff can go to talk about D&I topics. This has evolved into an active staff forum with people sharing ideas, stories, resources and starting up conversations/debates. It has been a helpful source of feedback and suggestions for things QA can/should be doing to better support D&I.

The group has also set up a dedicated D&I email group, giving an opportunity for questions to be raised in a more discrete manner. The email inbox also serves as a route for anyone in the business that wants to confidentially raise concerns or issues around D&I at QA.

The D&I Champions meet bi-weekly to discuss current D&I trends and events, provide feedback from their business areas, agree change actions and to plan ways the business can mark key cultural events. Each D&I Champion also sits on our Employee Partnership Forum (EPF) and takes responsibility for identifying and raising potential D&I issues in monthly meetings.

In January 2021 our EPF fed back that some colleagues would value the use of a multi-faith prayer room in our offices. Our D&I Champions took this action away and worked in collaboration with our facilities team to address this need.

The D&I champions also lead on activities to celebrate and mark key cultural events including Black History Month, Hanukkah, Ramadan and Pride. Each celebration is marked in a different way – for example to celebrate Hanukkah we launched our first-ever internal QA staff podcast. In the 1st episode we spoke to Jewish staff members about the role of Hanukkah and what it meant to them, with the aim of furthering QA collective understanding of Jewish culture.

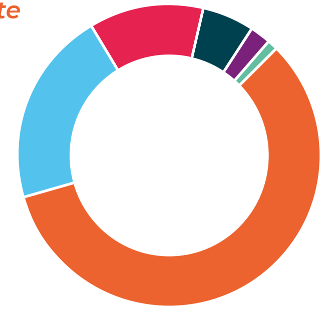
Creating a trans inclusive work environment has also been a key focus of the D&I champions. The group worked with our People Team to introduce the use of pronouns on email signatures to broaden our knowledge and encourage inclusivity.

Having often witnessed and experienced inequity and injustice in the past, I've always sought to promote inclusion and belonging in any project I work on. Within a few days of becoming a D&I champion, I already felt empowered to effect positive change, without fear of retribution. QA for me has always felt a safe space to challenge the status quo, and I feel privileged to be a part of our D&I team.

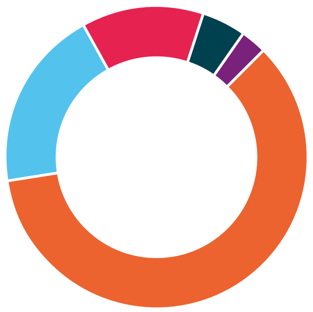
Fran Harrison – D&I Champion

OUR DIVERSITY DATA AT A GLANCE*

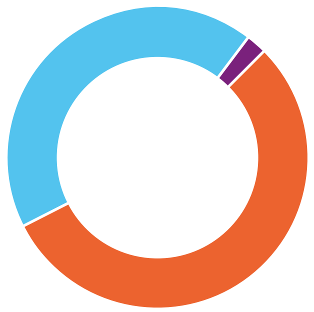
- 53% of colleagues are ***white***
- 19% are ***ethnic diverse*** (UK average - 14%)
- 11% ***Asian***
- 5% ***Black***
- 2% ***Other***
- 1% ***Mixed Ethnic***



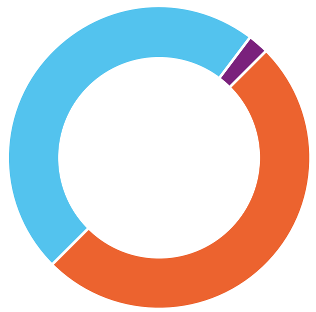
- 53% of our People Managers are ***white***
- 21% are ***ethnic diverse***
- 14% ***Asian***
- 5% ***Black***
- 3% ***Other***



- 55% of colleagues identify as ***male***
- 43% identify as ***female***
- 2% ***prefer not to say***



- 50% of our People Managers identify as ***male***
- 48% identify as ***female***
- 2% ***prefer not to say***



*In some cases a small percentage of colleagues preferred not to give a gender or ethnicity identity.

I am so proud of the people in QA, ensuring that our Company is not just 'good enough', but that we are actively viewing equality, diversity and inclusion as a key success factor.

I am overjoyed that in my role as champion, I have contributed to the Company's first steps towards becoming an industry leader in this way, and look forward to each milestone that we reach together.

Morgan Grey – D&I Champion

EXTERNAL D&I ADVICE AND EXPERTISE

As well as seeking the opinions and ideas of staff members, we also sought advice from outside of our business. In November we engaged with Clear Assured which is a company that helps organisations to remove barriers from business policy, process and practice which may exclude under-represented groups. As a result of the Clear Assured engagement we have:

- Included information on D&I in inductions and the QA Essential Employee Guide
- Ensured all job adverts include a commitment to flexible working where possible
- Reviewed all policies through an inclusion lens (specifically adding information to support our trans community)
- Created a checklist to ensure that future offices and venues are accessible to all
- Improved our feedback process to internal recruitment candidates
- Renewed our commitments as a Disability Confident Committed employer
- Created and launched a new diversity-focussed Group value
- We now have 6 top-level Group values which underpin the way we expect our staff to act and the way we want to do business. These values are used as focal points for staff appraisals, objective setting and our reward and recognition programme. By adding "our diversity makes us stronger" as a new Group value we aim to embed and reward a diversity and inclusion mind-set across our staff base.
- Introduced a new Dignity at Work policy to clearly outline the behaviour standards we expect of our staff. The resource has a section dedicated to transphobia and stipulates what behaviours are unacceptable. It promotes acceptance and knowledge among those who don't identify as trans.
- We also reviewed our People Policies for their language through a trans-inclusion lens. The aim of which was to ensure we are fostering a work environment where people feel safe, respected and able to achieve their full potential
- Made a public commitment to ensuring QA follow best practise, inclusive recruitment methods by signing up to the Good Recruitment Charter (which is part of the Recruitment & Employment Confederation). By signing the charter we have joined a network of other businesses that are committed to continuously working towards improving the performance and effectiveness of their internal recruitment. We can use this network to learn and share best practise.
- In December we signed up to the Armed Forces Covenant, with the aim of supporting more ex service personnel to retrain and start a new civilian career in the training or technology sector. We now actively promote our internal roles to services staff and offer a significant discount off of a number of our key training courses which have been selected to best support ex services personnel transition into the tech sector.

This activity, alongside other aspects of the D&I strategy meant that in March 2021 we achieved Bronze accreditation status from Clear Assured in recognition of the strides forward we have made in improving the inclusiveness of our processes and policies. The Bronze accreditation is the first step of our D&I journey, and is fundamental to any organisation wishing to be more inclusive.

Typically, it takes companies six to twelve months to achieve Bronze accreditation, whereas we managed to do it in four. Our focus is now on Silver, and we hope to achieve the accreditation by FY22.

Our D&I strategy supports our ambition to diversify the tech sector - attracting people from all walks of life

> *We are delighted to be working with QA to support the organisation on their ambitious diversity and inclusion journey. Since signing up to Clear Assured in October of last year QA has shown an undoubted commitment and ability to deliver constructive, authentic change. From the offset it was clear that QA believed it was essential to build an inclusive culture that embraces and elevates difference in a systematic, sustainable and genuine way.*
>
> *Having recently achieved the Bronze level of accreditation QA is now working towards Silver and we are excited to be a part of the further progress made this year. We very much look forward to seeing the impact QA's continual focus and efforts have on the wellbeing, sense of belonging and performance of its employees, clients, and customers.*
>
> ***Jenny Hinde – Director of The Clear Company***

D&I ACTIVITY WHICH SUPPORTS OUR CLIENTS, LEARNERS AND STUDENTS

Delivering intrinsic social value is an integral part of our day-to-day work at QA. Whether that is by improving social mobility through our apprenticeship programmes, providing bootcamp-led employment opportunities in areas of social disadvantage, or improving wellbeing through the enhanced organisational performance – our responsibility is not just to those who work with us, but to the wider tech sector.

In the last 12 months we have recruited and trained thousands of apprentices and early careers staff for our clients, and we embarked on a number of key projects to ensure this client recruitment was diverse and inclusive:

DCMS ADULT CYBER SKILLS PROGRAMME

QA worked with the Department for Digital, Culture, Media & Sport (DCMS) to develop and deliver a virtual training offering to inspire a diverse range of people to pursue a career in cyber security.

The programme aimed to support novices and people from non-technical backgrounds with a view to improving diversity and inclusion in the cyber sector. Each course consisted of 40 hours of online training. Trainers helped demystify the sector and industry expert guest speakers helped learners get to grips with the range of opportunities on offer within the sector for both technical and non-technical individuals. On successful completion of the programme students were eligible to sit the APMG, NCSC accredited exam Foundation Certificate in Cyber Security.

QA recruited 200 learners onto the programme, 34% were female (double the industry average - people working in the tech sector) and 28% were from ethnic minority backgrounds.

INCLUSIVE CLIENT RECRUITMENT TOOLS

This year we made a number of enhancements to the way we recruit on behalf of our clients. Firstly we rolled out the use of a new augmented copywriting tool which we use to ensure all of our job descriptions and adverts are written in an inclusive and fair way. Inclusive language encourages candidates from different backgrounds to apply – with an emphasis on skills and attributes, not qualifications and experience.

November marked a significant milestone for our client recruitment teams as we rolled out our new Cappfinity application portal. The new portal removes the unconscious bias that can creep into recruiter-led recruitment processes. We no longer look for prior tech experience or qualifications – which we know can unfairly disadvantage women (as only 19% of computer science graduates are female). Instead the new portal utilises an AI-driven algorithm to determine if applicants have the innate strengths, behaviours and cognitive ability to succeed in a tech role.

GENDER PAY GAP

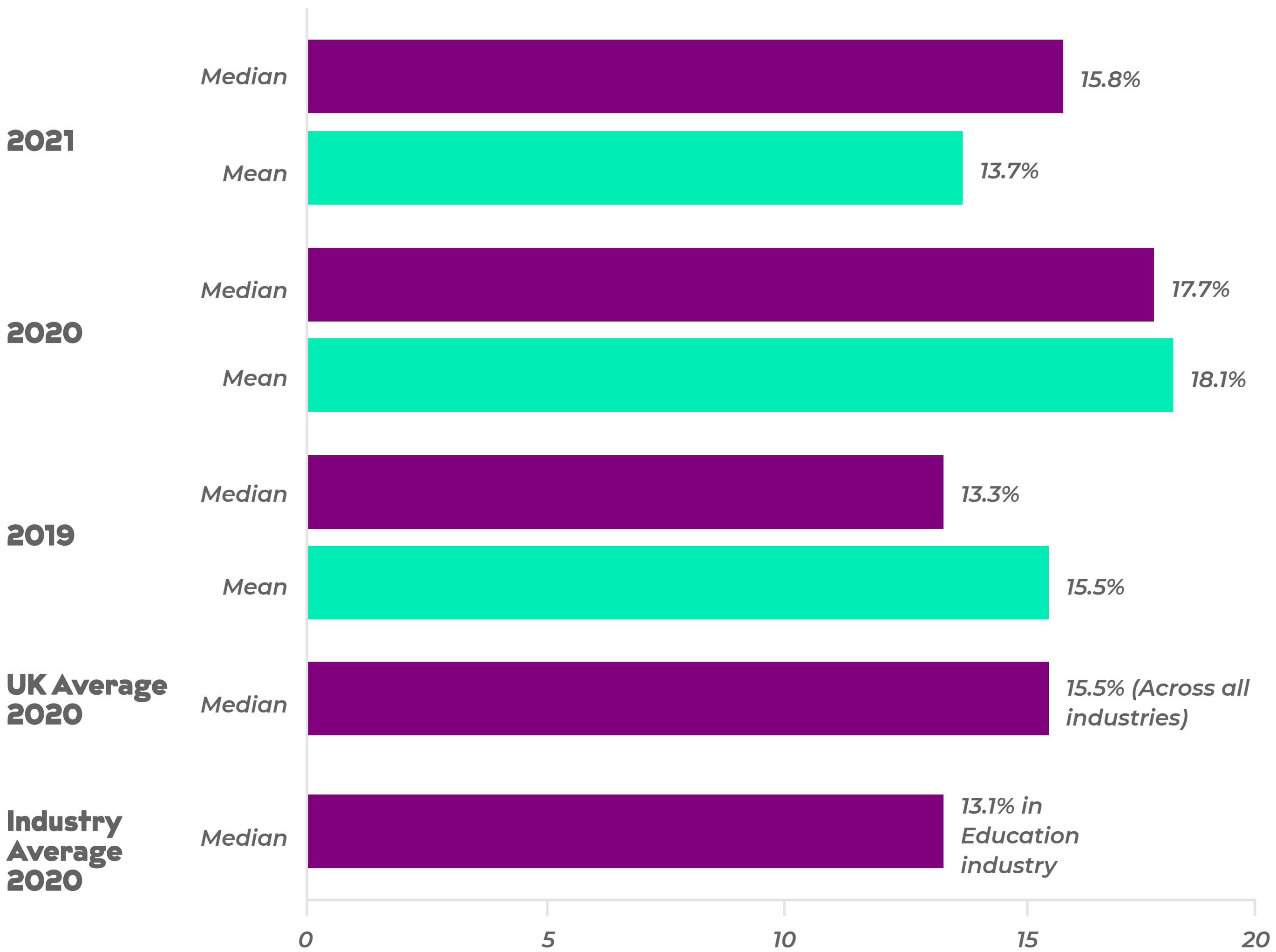
Over recent years, we've worked hard to ensure that our internal practices and processes are efficient, fair and robust to make sure all of us, from all backgrounds and experiences, have an equality opportunity to progress and succeed in QA. We will continue to focus on mitigating the factors that drive our gender pay gap by using evidence-based approaches and investing in tools. For example, we've invested in a new salary benchmarking tool, in partnership with Innecto, to further robust our rumination decision-making process and structure. Whilst we have made significant progress within inclusion over the last year, as evidenced by our Inclusion Index score of 93%, we're conscious that the full impact will only truly come to fruition over time.

We accepted the offer by the Government Equalities Office to suspend our reporting for 2020 as a result of the unprecedented circumstances presented by the pandemic. This years' Gender Pay Gap report combines our pay data from 2021, 2020 and 2019 to give a holistic account of our gender pay-gap over recent years.

Our calculations are based on pay data for more than 2,000 employees in April 2021, 2020 and 2019, as required by the mandatory gender pay gap reporting regulations. The data is taken from all of our diverse roles, at each job level, and the corresponding rates of pay.

Like previous years, we've voluntarily reported our collective Group gender pay gap data to show our overall position. We removed all employees who did not receive full pay during the snapshot period (April 2021). The data refers to 2,047 employees, 901 female and 1,146 male. We're happy to see that in 2021, our Pay Gap for the group decreased for both the median (17.7% to 15.7%) and mean (18.1% to 13.7%).

PAY GAP – QA GROUP



REWARD AND RECOGNITION

Feedback in our employee engagement survey suggested that reward and recognition was an area where we could make improvements, and so we launched a number of new initiatives in this space over the last 12 months.

As a starting point, we felt that our Group's values should play a much more significant role in our performance conversations and staff evaluations. So, in September 2020 we launched a new values framework, named QA Spirit, to clearly communicate what things we value most in our people.

Our employees are now measured and rewarded based on objectives that specifically align to the QA spirit values. Progress is tracked in our new employee management system, Compass, and colleagues are also able to give each other feedback via the system aligned to the QA spirit framework.

LIVING THE QA SPIRIT

The QA Spirit defines the values that we expect our employees to live by to successfully achieve our mission – powering our clients, students, learners and colleagues to win in the Digital Revolution.

To further support this work, we rolled out a group-wide monthly shout out initiative, ensuring people managers are rewarding and recognising QA-spirit-aligned behaviours. People managers are asked to review their team's Compass feedback and nominate individuals whose achievements and contributions are good examples of 'living the QA Spirit'. Nominated employees are then given a formal 'shout-out' on monthly team calls so that they are recognised for their work and can celebrate success with their peers.

The monthly shout outs culminate in our new QA Spirit awards. The monthly nominees are reviewed by the exec team and a proportion of these are further recognised at group-level. Since the launch in January 2021, we have awarded over 30 QA Spirit awards and the winners are announced on our exec-led All Hands calls. All quarterly winners are also entered into the running for the CEO's Annual Award which will be announced at a gala event in December 2021.

Another key recognition activity that we ran this year was our 'Lockdown Legends' initiative. Ahead of our virtual all-employee conferences in September and December 2020 we put out an employee-wide call for nominations for 'QA's Lockdown Legends'. Unlike the QA Spirit awards, this initiative was intended to encourage peer-to-peer recognition, bringing colleagues together in thanks and celebration. The exec team judged the nominations and picked the overall winners.

Our Club 110 programme continues to celebrate the success and contribution of our salespeople. It rewards those that make more than 110% of their annual target. Winners were announced in September 2020, and they were each rewarded with a weekend trip to London, with a guest of their choice plus a celebratory hamper.

As well as our recognition programmes, we also regularly review and benchmark our salaries to make sure that we reward our people fairly. All employees are paid at least the National Minimum Wage. Some roles have a compensation structure aligned to them and any bonus is paid based on the employee's performance set against an agreed criteria. The roll out of our new Career Framework saw us benchmark all our job roles and salaries with industry averages to ensure we identified if people who were being paid under or over market rate. These instances were then corrected as part of the annual salary review process in May 2021.

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

As part of our standard rewards package our people receive core benefits such as life assurance and a competitive holiday entitlement. We also offer a range of flexible benefits including our holiday buying scheme and fitness and wellbeing benefits like Gympass and Medicash. We regularly review our rewards package to make sure we offer benefits to match the interests of our diverse teams.

A RESPONSIBLE BUSINESS

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

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

GREEN INITIATIVES

At the heart of our strategy is our vision to support our clients, learners and students to be winners in the digital revolution.

Our success as a business is predicated on the success of the ecosystem in which we operate so supporting our customers, our people, suppliers and communities where we serve. We are embracing sustainable practices because we believe they create a better corporate culture, more reliable products and greater long-term sustainability.

We are pursuing goals and commitments across QA that align with and support these environmental ambitions.

DIGITAL COURSEWARE

We started making our transition to digital courseware (vs printed) a number of years ago and now 100% of our courses offer digital courseware and print runs are only made by exception. As a result of this change we further reduced our paper consumption by 4 tonnes this year.

ECOVADIS BRONZE AWARD

Back in May this year we achieved a bronze award with Ecovadis, a ratings platform that assesses corporate responsibility and sustainable procurement for some of the worlds' largest and most recognisable organisations. Achieving bronze, means that we are amongst the top 50% of companies that have been assessed by Ecovadis for our CSR performance and initiatives in Environmental, Ethics, Labour & Human Rights and Sustainable Procurement.

RECYCLING

We follow a strict recycling policy for corporate waste and this year our recycling efforts were able to save:

- 224 trees
- 17 cubed metre of waste
- 20,000 Kwh saved
- 6000 kg CO2 saved
- 120,000 litres of water saved

UPCYCLING AND ETHICAL RESOURCES

We continue to support and invest our local communities through the donation of technology and furnishings both close to home and further afield.

Actions that QA has implemented in the last year include:

- As part of our ongoing commitment to the Camara Trust – an international education charity – we supplied 100 desktop PC's and 120 monitors to support learning in 3rd World Countries;
- Supplied 50 office chairs and filing cabinets for the computer room at Egerton Rothesay School which specialises in dyslexia, dyspraxia and pupils with autism;
- Donated 100 laptops to the Government's "laptops for home schooling" scheme which subsequently were used by the following schools John Hanson Community School, Greenside Primary School, Liberty Tuition, St Andrew First School, Finchale Training, Tameside Pupil Referral Service, The Tree and Lent Rise School;
- Donated sports equipment including a pool table and table tennis table to Chesterfield FC Community Trust;
- Donated second-hand classroom furniture to Bramhope Primary School;
- Donated 24 PC base units, 46 monitors, 30 keyboards; and
- Donated colour printers, projectors, office furniture and stationery (which equated to a full sea freight container) to The TRIO Bridge Foundation – an educational charity based in Ghana.

CARBON REPORTING

We have produced our second carbon report in accordance with the SECR guidelines. As the energy intensity from our business is low, there is minimal risk to our operations from climate change. However, we continue to drive down the use of energy within our business, reflecting our responsibility to the environment.

We have set ourselves the objective of achieving Net Zero carbon emissions by 2030. We have implemented a renewable procurement contract for electricity for our leasehold properties where we manage procurement. For landlord managed sites we will work with the landlords to ensure that energy indirectly purchased is also from renewable generation.

As we have reduced the size of our property portfolio, we have identified surplus electrical equipment and office furniture, which was donated to a number of charitable causes including the Camara Educational Trust providing them with resources to continue to support 3rd world countries in their learning facilities, with the added benefit that the equipment was not sent to landfill.

We are proud to say we achieved 96.2% verifiable data coverage, with 3.8% of consumption data estimated to achieve 100% data coverage for our carbon emissions.

Our Scope 1 direct emissions (combustion of natural gas and transportation fuels) fell by 83% to 118 tCO2e, (FY20: 688) resulting from the direct combustion of 620 MWh of fuel (FY20: 3,060).

Scope 2 indirect emissions (purchased electricity) fell by 37% to 620 tCO2e (FY20: 978), resulting from the consumption of 2,658 MWh (FY20: 3,827) of electricity purchased and consumed in day to day business operations.

Our operations have an intensity metric of 1.9 kgCO2e per ft squared for this reporting year (FY20 4.6). The current year intensity ratio dropped significantly as a result of the Covid pandemic which resulted in our centres being closed for substantial periods of the year which resulted in lower energy usage.

REPORTING METHODOLOGY

Scope 1 and 2 consumption and CO2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published emissions factors for gross calorific value, relevant for the reporting year. For properties where QA is indirectly responsible for utilities (i.e. via a landlord or service charge), an average consumption based on MWh per ft2 was calculated at meter level and applied to the properties with no available data.

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

Intensity metrics have been calculated utilising the FY21 reportable figures for the following metrics, and tCO2e for both individual sources and total emissions were then divided by this figure to determine the tCO2e per metric:

As of 31 May 2021, total venue space was 363,649 sq foot (FY20: 361,000).

UTILITY AND SCOPE	FY21 UK CONSUMPTION MWh	FY21 UK CONSUMPTION tCO_2e	FY20 UK CONSUMPTION MWh	FY20 UK CONSUMPTION tCO_2e
Grid-Supplied Electricity (Scope 2)	2,658	620	3,827	978
Gaseous and other fuels (Scope 1)	537	99	794	146
Transportation	83	19	2,265	542
Total	**3,278**	**738**	**6,886**	**1,666**

COMMUNITY INVESTMENT

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

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

COMMUNITY INVESTMENT

It is important to us and our people that we support local communities – especially those close to where we live and work. We achieve this through investment, partnerships and fundraising.

In September 2020, at our first virtual all-staff conference, our people voted for the charity partner they most wanted to fundraise for. There was a live voting function on the call and as a result Barnardo's was nominated as our charity partner for the year.

We also chose to make a cash donation to each of the runners up in the staff charity shortlist including BulliesOut, UK Youth General Account, Macmillan Cancer Support, The Listening Place and NHS Charities Together.

QA AND BARNARDO'S - SUPPORTING VULNERABLE YOUNG PEOPLE TO THRIVE IN THE DIGITAL WORLD.

16 to 24-year-olds are suffering the biggest drop in employment compared with other age groups, and with over a third of young people post-secondary school saying they are not learning any new digital skills, our work with Barnardo's offers young people the chance to equip themselves with the necessary skills, confidence and ambition to find work and pursue a career in today's world.

Barnardo's Employment, Training & Skills (ETS) services support 3,000 young people each year through specialist, bespoke support for those that are furthest from the job market and hardest to reach. In addition to fundraising, the partnership will address the skills gap currently facing vulnerable young people across the country and promote the benefits of tackling youth unemployment through our services. The partnership also aligns closely with our joint commitment to equality and diversity and tackling racism and bringing to life our vision of a better future for all young people.

Alongside our fundraising activity, we are working with Barnardos to deliver Teach the Nation to Code workshops specifically for the young people they support and the charity's staff.

A huge thank you to QA colleagues across the UK who have taken on such brilliant fundraising initiatives in such a challenging time to support Barnardo's. We are really grateful for QA's support and expertise supporting vulnerable young people to thrive in the digital world, and are excited about the opportunities to continuing to develop our partnership further, and create more opportunities for young people to overcome challenges and secure careers in the digital sector.

Martin Howard

Senior Relationship Manger, Barnardo's

VOLUNTEERING AND FUNDRAISING

Although the pandemic meant our people couldn't get out and about in their communities or take part in challenging sponsorship events, it didn't stop them from finding inventive ways to do great things from home including:

- Slough (QA office) to San Francisco (Cloud Academy office) walk, jog or run challenge – with staff collectively clocking up over 900 miles. Over 100 employees took part and completed the challenge in 28 days raising over £4,000;
- 300,000 steps challenge for the whole family. A group-wide fundraiser to help get people out and about when lockdown eased. Over 100 employees and their families took part over the weekend; and
- Countless bakes, cookalongs and online quizzes.

National fundraising events continue to play an important part of our CSR calendar and are very popular and well supported by our people. This year we supported Literacy Day, Macmillan Coffee Morning, Children in Need and the Poppy Appeal.

PARTNERING WITH COMMUNITIES

QA works with a number of organisations to ensure greater diversity in our apprenticeship, skills bootcamps, Teach the Nation to Code and Squad-as-a-Service activities.

We remain a key partner of Stemettes, an award-winning social enterprise working across the UK to inspire and support young women into STEM careers.

We promote our early careers programmes to their network and also run free taster workshops for their members with the aim of inspiring more young women to apply for our programmes and enter the tech sector.

Other partners include the following:

- **Coding Black Females** - This is the largest community of Black women in tech in the UK. It focuses on growing, educating and inspiring the community of Black women in tech.
- **TAP Project** - TAP seeks to promote social inclusion by working with people of African origin and African Diaspora in Manchester – and globally - who are socially excluded; and
- **Young Professionals** - They work with over 2,000 schools and colleges nationwide helping companies to attract and recruit the very best talent onto their apprenticeship and work experience programmes.

By partnering with organisations like these, we ensure that our candidate attraction campaigns reach more diverse communities.

STEMETTES

We remain a key partner of Stemettes, an award-winning social enterprise working across the UK to inspire and support young women into STEM careers. We promote our early careers programmes to their network and also run free taster workshops for their members with the aim of inspiring more young women to apply for our programmes and enter the tech sector.

ASPIRE FOR HER

In April 2021 we embarked on a new partnership with an Indian social start-up Aspire For Her. Aspire For Her supports and works to increase female participation in the Indian labour force through mentorship and guidance.

We hosted a dedicated Teach the Nation to Code workshop for this not-for-profit and over 270 women, aged between 18 and 50, across India attended. This was the most participation we've ever had for a single Teach the Nation to Code event.

Aspire For Her has the vision to add one million women to the workforce by 2025; we motivate women to enter and stay in the workforce. By teaching our members how to code (from young college women in small towns to fifty-plus homemakers!), we know we can open up a million new career possibilities for the women of our country. The current Covid situation only serves to reinforce our conviction that we need to create a generation of financially independent women – who are confident with future skills like coding. We are delighted to partner with QA. Their vision, leadership and energy has been inspiring. We look forward to a brilliant journey of partnership and shared purpose.

Madhura DasGupta Sinha

Founder and CEO, Aspire For Her

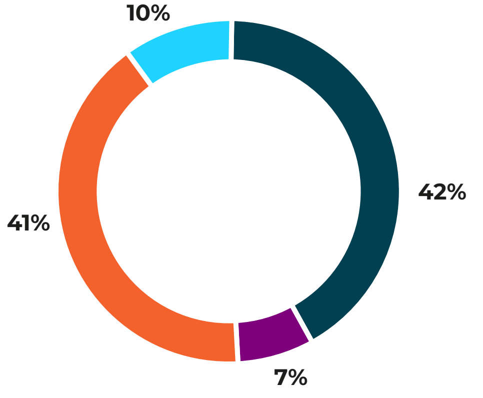
TEACH THE NATION TO CODE

Our Teach the Nation to Code events have continued to go from strength to strength. The 1-day workshops are delivered by QA volunteers in their spare time on a Saturday and are open to anyone to attend. They aim to debunk the myths around tech careers and teach the fundamentals of coding in an accessible way.

During FY21, we began to evolve these workshops to include a wider series of offerings including Teach the Nation to Cloud. In total, 3 Cloud workshops were delivered between March and the end of May 2021.

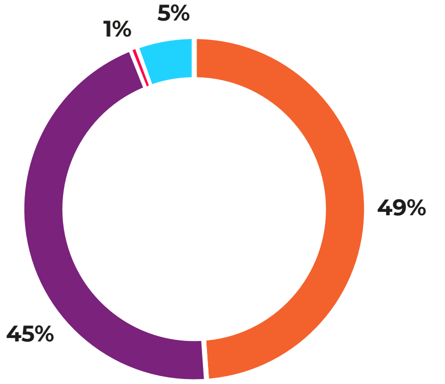
Level of experience

- Beginner
- Intermediate
- None
- Prefer not to say



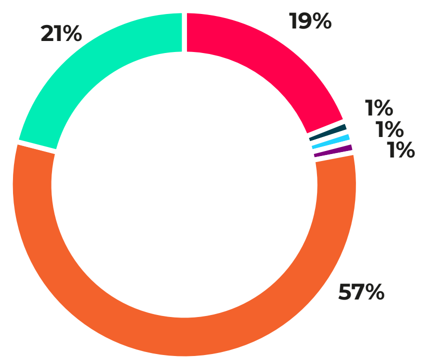
Gender

- Female
- Male
- Non-binary
- Prefer not to say



Ethnicity

- Asian or Asian British
- Chinese or other ethnic group
- Mixed
- White
- Other
- Prefer not to say



In the last 12 months:

600+

People taught.

50%

Female attendees.

23%

Attendees belonging to ethnic minority groups.

80%

Attendees with no or beginners coding experience.

Supporting communities and charities close to home and further afield

CFO STATEMENT

FY21 was a year of solid financial performance given the challenging trading conditions caused by the impact of the Covid pandemic. After a difficult start to the financial year during summer 2020, the Group's performance, despite the continuing lockdown, strengthened across the period with second half revenues up strongly. For the full year revenue decreased by 6% to £255.5m (FY20: £270.6m), but our Adjusted EBITDA was ahead at £53.9m (FY20: £53.0m) as the adjusted EBITDA margin improved to 21.2% (FY20: 19.6%). Our financial performance enabled the repayment of additional liquidity taken conservatively at the start of the pandemic and we closed FY21 with a robust balance sheet and the capacity to continue to invest in strategic initiatives both organic and, in the case of Circus Street, via acquisition, that position us for future growth.*

TRADING PERFOMANCE

Table 1 below sets out the Group's summary income statement for the year ended 31 May 2021 and compares it to the year ended 31 May 2020.

The reconciliation of Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), a non-IFRS measure, to the loss for the year, is set out in Table 3 on page 50.

At the height of the Covid pandemic, many clients reduced their short term training and hiring requirements impacting the demand for our training services and workplace learning programmes. Lower revenues in these activities were partially offset by continued student growth in Higher Education and a higher number of deployed Consultants graduating from our technology bootcamps. With trading steadily improving across the year, the benefit of early actions taken to manage costs and the transition to a digital-first delivery model contributed to, the Group's Adjusted EBITDA increasing to £53.9m (2020: £53.0m).

The provision of training services accounted for approximately 68% of Group revenue and fell by 16.4% in the year. After a challenging first half at the height of the pandemic the demand for training strengthened consistently, despite the continuing lockdown restrictions, with second half revenues returning to growth. The Group successfully transitioned to a digital delivery model for instructor-led training and, benefitted from its investments in self-paced learning which saw significant growth as digital subscription licenses more than doubled in the year.

Across the rest of the Group's activities there was strong revenue performance in Higher Education through international and home student growth where the average number of students grew over 60%. Workplace learning programmes saw a decline in revenues following a strategic decision to focus on technology, digital and data apprenticeships and discontinue a number of programmes. Excluding the discontinued programmes, the Group's revenue from workplace learning programmes was down slightly on the prior year.

Table 1 : Financials

£'M	YEAR ENDED 31 MAY 2021	YEAR ENDED 31 MAY 2020
Revenue	255.5	270.6
Gross profit	140.0	134.7
Operating expenses	103.6	95.7
Adjusted EBITDA	53.9	53.0

Consulting saw the average number of deployed technology consultants increase by 42% on the prior year.

Gross profit increased by 4% to £140.0m with the growth in Higher Education and the benefit from cost actions taken at the onset of the pandemic, offsetting the impact of revenue declines in Learning and Apprenticeships.

Operating expenses (being administration expenses before exceptional items and amortisation of acquired intangibles) increased to £103.6m (2020: £95.7m) reflecting the continued investment to support growth in Higher Education and digital learning, offset by the cost actions to manage headcount and property in the year. Our average headcount (including trainers, tutors and coaches which are reported within Cost of sales) decreased to 1,936 in 2021 (2020: 2,132).

The lower headcount reflects the review in May 2020 to determine the resources required to trade through the pandemic and support the expected recovery profile of the Group as lockdown restrictions eased. Following a staff consultation process the review resulted in over 300 redundancies across the summer months, completing in July 2020. Digital delivery has resulted in a reduction in the Group's ongoing property requirements. During the year, the Group exited and reduced it's lease footprint leading to a £3.0m impairment on it's Right of Use Assets together with a £1.7m impairment of Leasehold Improvements.

Adjusted EBITDA for the full year increased 2% to £53.9m (2020: £53.0m) with an Adjusted EBITDA margin of 21.2% (2020: 19.6%).

KEY PERFORMANCE INDICATORS

Table 2 below sets out the key performance indicators measuring the financial and operational performance of the Group. In addition to Revenue and Adjusted EBITDA we report on cash generation and the number of learners developing their skills or studying with us in the year. We define free cash flow as Adjusted EBITDA less the working capital movement, lease rental payments, tax payments and capital expenditure. We generated free cash flow of £48.4m (2020: £52.6m), benefitting from a working capital inflow due to the learning and higher education activities where there is a significant level of advance billing for training and course fees.

The learners served by the business were 281,000 (2020: 293,000) as continued growth in Cloud Academy licenses helped mitigate lower training volumes during the pandemic. Together with the post-pandemic recovery, the learners served by the Group are expected to accelerate with the acquisition of Circus Street.

ADJUSTING ITEMS

Table 3 on page 50 sets out the reconciliation of Adjusted EBITDA and the loss before taxation. Our Adjusted EBITDA is defined as the profit/(loss) for the year before the tax on profit/(losses) on ordinary activities, net interest payable and similar charges, amortisation, depreciation and exceptional items.

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

Exceptional costs in the year primarily relate to the pandemic as the Group has incurred costs related to property exits and lease footprint reductions, together with costs arising during the initial lockdown when the Group was prevented from using its sites due to government restrictions. In addition the Group has incurred further costs to support its digital transformation activities, drive operational improvements and undertake M&A (see Note 4).

Table 2 : Key performance indicators

	2021	2020	2019
Revenue growth (£'m)	(15.1)	(3.2)	10.4
Adjusted EBITDA (£'m)	53.9	53.0	67.5
Free cash flow (£'m)	48.4	52.6	46.4
Learners (No.'000)	281	293	266

ADJUSTING ITEMS (CONTINUED)

As the Group has adopted IFRS 16, we present Adjusted EBITDA before deducting both the lease depreciation and lease interest expenses of £7.1m (2020: £6.8m) and £2.8m (2020: £2.1m) respectively in the year.

REPORTED RESULTS

On a reported basis for the year ended 31 May 2021, as set out on page 60, the Group had revenues of £255.5m (2020: £270.6m) with an operating loss of £39.6m (2020: loss of £82.8m).

The loss before tax for the year of £113.3m (2020: £151.6m) is arrived at after deducting net finance costs of £73.7m (2020: £68.8m), attributable to the Group's senior credit facilities of £320.0m, its revolving credit facility (£15.0m as at March 2021, £65.0m as at March 2020), and shareholder loan notes of £534.0m at year end (2020: £483.8m).

The prior year loss before tax was impacted by the £74.2m impairment expense for the Learning cash generating unit ("CGU"), given the uncertainties at May 2020 of the pandemic on the business. There was an impairment expense of £4.7m in respect of fixed assets for they the year ended 31 May 2021 and an impairment charge of £30.1m in respect of the Consulting division. The financial position of the Group is presented in the Consolidated Statement of Financial Position on page 61 with a with net liabilities of £467.8m (2020: £348.6m) at year end.

The Group is in a net liability position due to shareholder loans of £534.0m (2020: £483.8m), inclusive of the interest accruing on them, coupled with historical impairment charges of £214.1m. Under the terms of the shareholder agreement, the shareholder loan and accrued interest is not repayable until the earlier of the loan redemption date of June 2047, or change in control of the Group.

Total assets at 31 May 2021 were £635.1m (2020: £719.0m) comprising intangible assets of £448.2m (2020: £508.0m), property, plant and equipment of £58.6m (2020: £63.6m), other non-current assets of £4.1m (2020: £1.9m) and current assets, including cash, of £124.2m (2020: £145.5m). The decrease in the assets of the Group has arisen due to the £50.0m repayment in year of the Group's borrowings under the revolving credit facility.

Total liabilities as at the balance sheet date of 31 May 2021 were £1,102.9m (2020: £1,067.6m) comprising of bank loans due over one year of £315.6m (2020: £313.9m), other non-current borrowings on £584.0m (2020: £529.0m), provisions of £8.8m (2020: £10.6m),

REPORTED RESULTS (CONTINUED)

deferred tax of £46.3m (2020: £40.8m) and other current liabilities of £148.2m (2020: £173.3m). The Group's other other current liabilities increased by £24.7m as trade and other payables increased following the recovery in the Group's markets led by deferred income which increased by £15.3m. The Group's borrowings decreased by £50.0m as the revolving credit facility was repaid.

CAPITAL RESOURCES

Our primary sources of liquidity consist of cash, which amounted to £75.1m (2020: £107.3m) at year end, and available drawings under the £65.0m Revolving Credit Facility (£50.0m undrawn as at 31 May 2021, fully drawn as at 31 May 2020).

During the year the Group repaid £50.0m of the Revolving Credit Facility which was fully drawn at 31 May 2020 to maximise available liquidity during the initial phase of the Covid pandemic. Subsequent to the balance sheet date, in light of the Group's improved cash position and trading performance, the Group has repaid a further £10.0m of the Revolving Credit Facility.

FINANCING FACILITIES

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

Interest is set at three month GBP LIBOR plus a margin of 4.75%.

In June 2017 the Group entered into the Revolving Credit Facility agreement, with a maturity date of December 2023, which provides £65.0m of committed financing, all of which can be drawn by way of loans or ancillary facilities. Drawings under the Revolving Credit Facility were £15.0m at the balance sheet date (2020: £65.0m).

The facility may be utilised for general corporate use, including the working capital needs of the Group, and acquisitions. The facility bears interest at a rate per annum equal to GBP LIBOR plus a current margin of 3.75% which is subject to 3 monthly revision depending on the Group's leverage ratio.

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

NET CASH FLOW AND WORKING CAPITAL

Net cash inflow from operating activities was £58.1m (2020: £60.9m) in the year ended 31 May 2020, which has declined due to a lower working capital inflow.

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

Movements in net working capital are primarily driven by debtors and deferred income, in particular in our learning and higher education activities where there is a significant level of advance billing for training and course fees, and also in accrued income due to billing the Education and Skills Funding Agency in arrears for apprenticeships training funded by the levy. All other components of working capital are relatively stable.

In the year ended 31 May there was a £15.0m working capital inflow (2020: £25.9m). The increased student numbers in Higher Education have contributed to the working capital inflow, via increased payables, as deposits and course fees are received ahead of delivery. The prior year inflow was largely attributable to the lower trading levels in the final quarter which reduced, via lower receivables, the Group's investment in Working capital. At May 2020 the Group had agreed with HMRC to defer PAYE and VAT liabilities totalling £9.0m. These deferred amounts were repaid in full during the year.

MATERIAL CONTRACTUAL COMMITMENTS

Table 4 below, sets out the contractual commitments at 31 May 2021 that are expected to have an impact on liquidity and cash flow in future periods. The table excludes any future interest payments on our senior debt facility and also further utilisation of amounts under the Revolving Credit Facility if it was required.

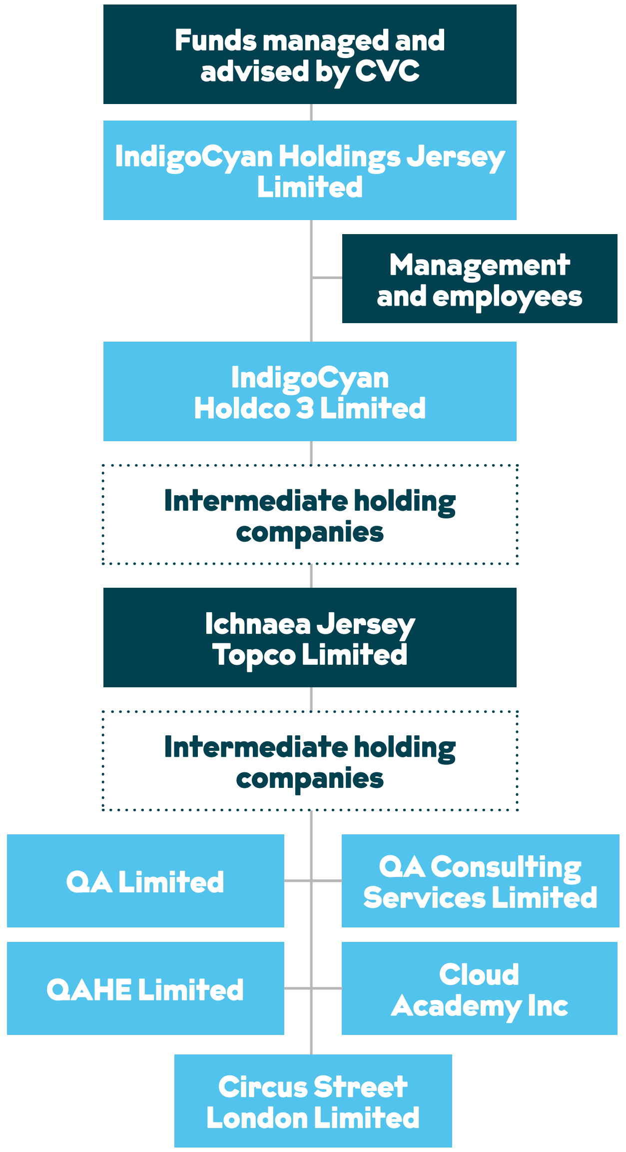
The information presented in this table reflects management's estimates of the contractual payment streams of our current obligations, which may differ from the actual payments made under these obligations.

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. On 7 June 2019 the Group acquired 100% of Cloud Academy Inc and on 1 July 2021, 85.5% of Circus Street London Limited.

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

The QA Group Structure



MANAGEMENT OF FINANCIAL RISKS

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

CREDIT RISK

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

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

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

LIQUIDITY RISK

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

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

APPROACH TO RISK

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

IDENTIFYING AND MONITORING OF RISKS

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Table 3 : Adjusting items

£'M	YEAR ENDED 31 MAY 2021	YEAR ENDED 31 MAY 2020
Adjusted EBITDA	**53.9**	**53.0**
Depreciation and amortisation	(47.8)	(42.5)
Impairment of Fixed Assets and Goodwill	(34.8)	(74.2)
Other Exceptional costs	(10.4)	(18.6)
Finance income	0.3	0.4
Finance cost	(74.0)	(69.2)
Share based payment cost	(0.5)	(0.5)
Loss for the for year before taxation	**(113.3)**	**(151.6)**

BUSINESS TRANSFORMATION AND CHANGE

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

Our acquisition of Circus Street enables the Group to play an even greater role in driving digital transformation, using Circus Street to build digital and data capabilities across a clients' entire enterprise, and Cloud Academy to systematically assess, build and validate the skills of their tech teams to deliver it.

The Group has also invested in advancing its own digital products with the development of, and recent launch, of Total Learning™ that combines the best of our digital and live learning capabilities.

COMPETITIVE RISK

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

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

The Group has increased investment, both organic and through M&A, in its digital products to ensure that we remain differentiated in the market. Capital expenditure on product and content increased to £10.5m (2020: £7.0m) in 2021 adding new functionality, new learning pathways, and new products. The Group expects to increase this commitment in the coming year to support continued digital growth.

COMPLIANCE RISK

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

During the year the apprenticeship activities were subject to a funding audit by the ESFA with no errors identified. The audit made recommendations which were immediately implemented to ensure that we continue to develop our control environment. Our Higher Education business has maintained all of its external quality accreditations. These are both Higher Education-wide (British Council and British Accreditation Council) as well as partner specific accreditations with the Quality Assurance Agency.

Our Health and Safety team recently gained accreditation for the new Health and Safety standard ISO45001, and recertification of ISO 9001 (quality) and ISO 14001 (environment), to create one integrated management system for all these areas of the business.

To maintain best practise and to comply with other contractual obligations the Group holds ISO270001 certification for its management of information security, and other IT-related certifications including CHECK, the Government's security standard to protect data in our supply chain and the National Cyber Security Centre's Cyber Essentials Plus accreditation.

Table 4 : Material Contractual Commitments

£'M	LESS THAN 1 YEAR	MORE THAN 1 YEAR	TOTAL
Senior debt facility	-	315.6	315.6
Revolving credit facility *	15.0	-	15.0
Lease commitments	7.0	50.0	57.0
Total	**22.0**	**365.6**	**387.6**

*£50m of the RCF remained undrawn at year end.

CHANGES IN GOVERNMENT FUNDING/REGULATION

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

The Group has sought to contribute to discussions with the UK Government and its advisors over appropriate skills development schemes to support the UK economy's recovery post the initial impact of Covid. Management is continuing to monitor market developments in light of the UK's exit from the European Union ("Brexit"). As the Group's clients and suppliers are almost entirely outside of the EU we have not suffered any immediate direct consequences.

In prior years our Higher Education activities would recruit international, UK and EU students. Post 30 December 2020, EU nationals travelling to the UK to study are now classified as international students who self-fund their studies, and are no longer eligible for tuition fees or maintenance loans.

As a result of these post-Brexit developments, there is a reduction in the inflow to the UK from the EU of prospective students. However, thousands of EU nationals became UK residents either on or before 31 December 2020, or subsequently by applying for settled or pre-settled status by July 2021. This pool of prospective students with settled status will be eligible to apply for tuition fee and maintenance loans, subject to certain criteria being met. We continue to see positive demand from UK resident and international students for our Higher Education programmes.

DATA GOVERNANCE, SECURITY, INFRASTRUCTURE AND SYSTEMS

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

The Group's technology team has been working across a number of system and data security projects including the creation of a dedicated Security Operations function, roll-out of new email security tools, supported by new email security tools, implementing multi-factor authentication and a security incident and event monitoring (SIEM) tool.

We also completed a National Cyber Security Centre IT Health Check (CHECK) audit of our Apprenticeship systems and are working on the same process for our Learning systems this year. The CHECK standard aims to provide assurance that an organisation's external and internal systems are protected from unauthorised access or change, therefore helping to ensure the confidentiality, integrity or availability of information processed. We have also been recertified for ISO27001 which is the international standard for managing information security and also Cyber Essentials Plus (the default standard which aims to help organisations guard against the most common cyber-attacks. We continuously undertake a range of recurring activities covering areas such as access review audits and penetration tests and have invested in technology to support these activities.

In September 2021, the Group was subject to a cyber-attack. This temporarily disrupted certain back office systems but did not directly impact service delivery. In response security and monitoring procedures have been further strengthened. The Group proactively notified the Information Commissioner's Office (ICO) within the required timeframes and continues to work collaboratively with the ICO. The incident has not had a material impact on the Group's financial position.

PANDEMIC RISK

A global pandemic or other health emergency can result in restrictions on travel, access to property and reductions in GDP impacting demand for the Group's products and services.

As experienced during the the initial stage of the Covid pandemic, the Group saw lower demand for some of its trading activities. The Group is continuing to invest in its digital propositions to provide high quality virtual learning and has exited and reduced its footprint in a number of locations to reduce its fixed cost base to reflect a permanent shift to digital delivery.

The acquisition of Circus Street, and the launch of Total Learning™, build upon the prior acquisition of Cloud Academy, to continue the Group's digital transformation efforts and reduce its historical requirement on a physical-location led delivery model. The growing exposure to subscription based revenues will also help mitigate a future pandemic's potential impact on short-term demand.

Increased Risk   No Change In Risk   Reduced Risk

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group and the Company for the year ended 31 May 2021.

DIRECTORS

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

John Cosnett

David Wells (Resigned 17 December 2020)

Richard Blackburn

Sir Charlie Mayfield (Resigned 17 December 2020)

Nathan Runnicles

Johanna Karhukorpi

Paul Geddes (Resigned 17 December 2020)

During the year Paul Geddes and Sir Charlie Mayfield resigned as Directors of the Company for administrative reasons. However, they retain their roles for the wider Group.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 May 2021 (2020: nil).

POLITICAL DONATIONS

The Group did not make any political donations during the year (2020: nil).

SUPPLIER PAYMENT POLICY

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

Trade creditors of the Group at 31 May 2021 were equivalent to 56 days purchases (2020: 24 days). The creditor days number has been impacted in both years by the trading cycle caused by the Covid pandemic. Purchases and payables increased during the final quarter as the business recovered resulting in an increase in payable days as average purchases for the year remained low.

PRINCIPAL RISKS AND UNCERTAINTIES

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

DIRECTORS AND OFFICERS INDEMNITY

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

SUBSEQUENT EVENTS

On 1 July 2021, we acquired 85.5% of Circus Street London Limited, a global leader in providing commercial digital skills including ecommerce, data analytics and digital marketing skills through its subscription-based, proprietary digital platform. Further details are set out in note 30.

GOING CONCERN

The Covid pandemic and resulting restrictions that have impacted global markets since March 2020 has impacted trading in some of the Group's activities, most notably in our learning and apprenticeships' operations. After proactively maximising available liquidity at the start of the Covid pandemic through drawing on the Revolving Credit Facility in full and, obtaining a covenant waiver on the facility to 31 May 2021, the Group's positive trading progress and cash generation has supported £60m of repayments since November 2020, leaving just £5.0m outstanding at 30 November 2021. Group cash at 31 October 2021 was £32.2m.

The forecasting process undertaken by the Directors recognises the inherent uncertainty, notwithstanding the significant progress made through the vaccination programmes, associated with predictions at the present time given the potential risk from new Covid variants and lockdown restrictions that could again be applied. Whilst the Directors believe that trading performance will remain robust and continue to improve, the Directors have assessed various scenarios which consider the speed of economic recovery and demand for the Group's services. The Directors consider the most significant uncertainty impacting the forecasts is the speed of recovery as lockdown restrictions ease. As such, the Directors have assessed the impact of different revenue growth rates on the Group's cashflow forecasts. The analysis confirmed the Group has sufficient liquidity and is forecast to comply with its financial covenants (which would only be tested if the revolving credit facility is drawn in excess of £25.0m).

DIRECTORS' REPORT (CONTINUED)

The Group has funding arrangements with its banks, which include drawn term loans and a £65.0m revolving credit facility, in place until June 2024 and June 2023 respectively.

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

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

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF STATUTORY DUTIES IN ACCORDANCE WITH S172

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

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

The Board of Directors of IndigoCyan Holdco 3 Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) S172 Companies Act 2006, in the decisions taken during the year ended 31 May 2021.

The business implications of the Covid pandemic have been fast moving and uncertain but the Directors consider that the decisions made will be in the best long-term interests all the Group's stakeholders.

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

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

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

AUDITOR

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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

In preparing the Parent Company financial statements, the Directors are required to:

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

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

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

However, Directors are also required to:

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

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

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

WALKER GUIDELINES

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

Signed on behalf of the Board of Directors by:

Nathan Runnicles
Director
30 November 2021

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- the financial statements of IndigoCyan Holdco 3 Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2021 and of the Group's loss and the Parent Company's profit for the year then ended;
  - have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
  - have been properly prepared in accordance the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the Consolidated Income Statement and the Consolidated Statement of 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 30 and Parent Company notes 1 to 8

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

EXTENT TO WHICH AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies (Jersey) Law 1991 and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Revenue recognition – Higher Education. There is a risk that the withdrawal provisions in relation to student dropouts are valued inappropriately. We have tested historical withdrawal rates and performed recalculations of the deferred income balances recognised at the period end. We tested the design and implementation of management's controls around the risk;
- Revenue recognition – Apprenticeships. There is a risk that provisions in respect of expected pass rates, withdrawal rates and other provisions are valued inappropriately. We have reviewed and challenged management's judgements in respect of withdrawal rates and provisions including by agreement to third party evidence and historical data where available. We tested the design and implementation of management's controls around the risk; and
- Impairment of goodwill and other intangible assets – Consulting. Due to lower than expected performance, there is a risk that the carrying value of the cash generating unit is not sufficiently satisfied by future discounted cash flows. We have challenged management's future forecast cashflows by assessing the discount rate performed, assessing the historical accuracy of management's forecasting and challenging management on the growth rate applied to forecast cash flows. We tested the design and implementation of management's controls around the risk.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies (Jersey) Law 1991

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 Chapter 3 of Part 16 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Saunders
For and on behalf of Deloitte LLP
London, United Kingdom
30 November 2021

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2021

	NOTE	BEFORE EXCEPTIONAL ITEMS 2021 £'M	EXCEPTIONAL ITEMS 2021 £'M	TOTAL 2021 £'M	BEFORE EXCEPTIONAL ITEMS 2020 £'M	EXCEPTIONAL ITEMS 2020 £'M	TOTAL 2020 £'M
Revenue	2	255.5	-	255.5	270.6	-	270.6
Cost of sales		(115.5)	-	(115.5)	(135.9)	-	(135.9)
Gross Profit		**140.0**	**-**	**140.0**	**134.7**	**-**	**134.7**
Administration expenses		(134.4)	(45.2)	(179.6)	(124.7)	(92.8)	(217.5)
Operating profit before amortisation of intangibles and exceptional items		36.4	-	36.4	39.0	-	39.0
Amortisation of acquired intangibles		(30.8)	-	(30.8)	(29.0)	-	(29.0)
Impairment of goodwill	4	-	(30.1)	(30.1)	-	(74.2)	(74.2)
Impairment of property plant and equipment	4	-	(4.7)	(4.7)	-	-	-
Exceptional costs	4	-	(10.4)	(10.4)	-	(18.6)	(18.6)
Operating Profit / (Loss)	**3**	**5.6**	**(45.2)**	**(39.6)**	**10.0**	**(92.8)**	**(82.8)**
Finance income	6	0.3	-	0.3	0.4	-	0.4
Finance costs	6	(74.0)	-	(74.0)	(69.2)	-	(69.2)
Net finance costs		**(73.7)**	**-**	**(73.7)**	**(68.8)**	**-**	**(68.8)**
Loss Before Taxation		**(68.1)**	**(45.2)**	**(113.3)**	**(58.8)**	**(92.8)**	**(151.6)**
Taxation (charge) / credit	7			(4.5)			1.5
Loss For The Year				**(117.8)**			**(150.1)**
Loss Attributable to:							
Owners of the Company				(117.8)			(150.1)
Non-controlling interests				-			-
				(117.8)			**(150.1)**
Other Comprehensive Income:							
Items that may be subsequently reclassified to profit or loss:							
Loss for the year				(117.8)			(150.1)
Exchange differences on translation of foreign operations				(1.9)			0.4
Total Comprehensive Loss for the Year				**(119.7)**			**(149.7)**
Loss Attributable to:							
Owners of the Company				(119.7)			(149.7)
Non-controlling interests				-			-
				(119.7)			**(149.7)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2021

	NOTE	2021 £'M	2020 £'M
Non-current assets			
Goodwill	9	242.0	273.2
Other intangible assets	12	206.2	234.8
Property, plant and equipment	13	58.6	63.6
Investment in associates	10	1.2	1.9
Deferred tax assets	21	2.9	-
		510.9	**573.5**
Current assets			
Inventories	14	0.1	0.2
Trade and other receivables	15	49.0	38.0
Cash and cash equivalents	16	75.1	107.3
		124.2	**145.5**
Total Assets		**635.1**	**719.0**
Current liabilities			
Loan and borrowings	18	(22.0)	(71.8)
Derivative financial liabilities	20	-	(0.2)
Trade and other payables	17	(126.2)	(101.3)
Provision for liabilities	19	(2.1)	(4.4)
		(150.3)	**(177.7)**
Non-current liabilities			
Loan and borrowings	18	(899.6)	(842.9)
Provision for liabilities	19	(6.7)	(6.2)
Deferred tax	21	(46.3)	(40.8)
		(952.6)	**(889.9)**
Total Liabilities		**(1,102.9)**	**(1,067.6)**
Net Liabilities		**(467.8)**	**(348.6)**
Equity			
Share capital	22	1.0	1.0
Translation reserve		(1.5)	0.4
Share based payments reserve	22	1.8	1.3
Retained earnings	23	(469.1)	(351.3)
Equity attributable to owners of the Company		**(467.8)**	**(348.6)**
Non-controlling interests	23	-	-
Total Equity		**(467.8)**	**(348.6)**

The consolidated financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 30 November 2021.

Nathan Runnicles, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2021

	SHARE CAPITAL £'M	TRANSLATION RESERVE £'M	SHARE BASED PAYMENTS RESERVE £'M	RETAINED EARNINGS £'M	ATTRIBUTABLE TO PARENT COMPANY £'M	NON-CONTROLLING INTEREST £'M	TOTAL EQUITY £'M
As at 31 May 2019	**1.0**	**-**	**0.8**	**(201.3)**	**(199.5)**	**(0.7)**	**(200.2)**
Loss for Year	-	-	-	(149.3)	(149.3)	-	(149.3)
Other comprehensive income	-	0.4	-	-	0.4	-	0.4
Total Comprehensive Loss for the Year	**-**	**0.4**	**-**	**(149.3)**	**(148.9)**	**-**	**(148.9)**
Share based payment	-	-	0.5	-	0.5	-	0.5
Purchase of non-controlling interest	-	-	-	(0.7)	(0.7)	0.7	-
As at 31 May 2020	**1.0**	**0.4**	**1.3**	**(351.3)**	**(348.6)**	**-**	**(348.6)**
Loss for Year	-	-	-	(117.8)	(117.8)	-	(117.8)
Other comprehensive income	-	(1.9)	-	-	(1.9)	-	(1.9)
Total Comprehensive Loss for the Year	**-**	**(1.9)**	**-**	**(117.8)**	**(119.7)**	**-**	**(119.7)**
Share based payment	-	-	0.5	-	0.5	-	0.5
As at 31 May 2021	**1.0**	**(1.5)**	**1.8**	**(469.1)**	**(467.8)**	**-**	**(467.8)**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2021

	NOTE	2021 £'M	2020 £'M
Net cash inflow from operating activities	29	**58.1**	**60.9**
Cash flows from financing activities			
Proceeds from additional debt		-	65.0
Repayment of debt		(50.0)	-
Repayment of lease liabilities		(5.3)	(6.3)
Interest paid		(20.6)	(19.2)
Net cash (outflow) / inflow from financing activities		**(75.9)**	**39.5**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(15.1)	(15.6)
Dividend from investment		0.6	-
Acquisition of subsidiaries, net of cash acquired		-	(14.0)
Interest received		0.1	0.1
Net cash (outflow) from investing activities		**(14.4)**	**(29.5)**
(Decrease) / increase in cash and cash equivalents		**(32.2)**	**70.9**
Cash and cash equivalents, beginning of year		107.3	36.4
Cash and cash equivalents, end of year	16	**75.1**	**107.3**

1. ACCOUNTING POLICIES

GENERAL INFORMATION

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

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

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

BASIS OF CONSOLIDATION

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

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

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

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

BASIS OF ACCOUNTING

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 June 2021. The Group has elected not to early adopt these standards which are described below:

- Interest rate benchmark reform (Amendments to IFRS 9 and IFRS 7); and
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- IFRS 17 Insurance Contract;
- Classification of Liabilities as Current or Non-Current (amendments to IAS1);
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use; and
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards. IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

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

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

- Amendments to References to the Conceptual Framework for IFRS Standards;
- Definition of a Business (amendments to IFRS 3);
- Definition of a Material (amendments to IAS1 and IAS 8);
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract – Annual Improvements to IFRS Standards 2018-2020 Cycle:

BASIS OF ACCOUNTING (CONTINUED)

- Amended early-new and amended standards
- The Group also elected to adopt the following amendment early:
- Amendment to IFRS 16: Covid -19- Related Rent Concession. The impact of early adopting the amendment to IFRS 16 is described below.
- Rent Concessions. The Group has applied the amendment to IFRS 16 in advance of its effective date, and as a result, where appropriate has treated rent concessions as variable lease payments rather than lease modifications. The value of rents recognised within the loss before tax in the 2021 income statement was £0.5m less than the prior year ended 31 May 2020.

REVENUE RECOGNITION

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

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

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

SKILLS LICENSES AND SUBSCRIPTIONS

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

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

LEVY INCOME

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

HIGHER EDUCATION

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

CONSULTING

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

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

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

FINANCE INCOME AND FINANCE COSTS

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

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

SHARE BASED PAYMENT ARRANGEMENTS

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

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

GOVERNMENT GRANTS

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

CAPITALISATION OF DEVELOPMENT COSTS

Capitalised software and development costs are amortised on a straight-line basis over their expected economic lives, normally between 3 and 5 years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement.

TAXATION

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

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

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

TAXATION (CONTINUED)

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

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

INVENTORIES

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

INVESTMENTS IN ASSOCIATES

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

GOODWILL

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

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

OTHER INTANGIBLE ASSETS

Initial recognition of other intangible assets

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

Subsequent measurement

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

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

Amortisation has been presented within administration expenses.

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. For a provision to be recognised, it must be probable that the Group will be required to settle the obligation, and it must be possible for 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.

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

CASH AND CASH EQUIVALENTS

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

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

TRADE AND OTHER RECEIVABLES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

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.

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

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

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

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

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

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value.

through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Classification of financial assets

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

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

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

GOING CONCERN

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

The Directors have considered the adoption of the going concern basis of preparation of these financial statements with consideration to the wider Group position and its business model as set out on page 54.

EXCEPTIONAL ITEMS

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

EXCEPTIONAL ITEMS (CONTINUED)

presented in the middle column of the income statement as their separate presentation enhances the understanding of the performance of the Group.

Items classified as exceptional are as follows:

Impairment charges

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

Strategic review and digital transformation

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

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

Covid

For the year ended 31 May 2021 Covid Related property, restructuring and related expenses primarily relate to rates and service charges for closed properties or properties not fully in use because of the move towards remote working in the light of the Covid pandemic. For the prior year ended 31 May 2020 the expenses included rents for closed properties and redundancies which were made in the light of the Covid pandemic.

Apprenticeships funding, accounting and losses attributable to discontinued products

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

Costs related to acquisition

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

Restatement of development costs

Costs in relation to developing, customising and configuration of software have been expensed to the Consolidated Income Statement as exceptional items.

Other specific items

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

RESEARCH AND DEVELOPMENT

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

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

During the year the Group has expended £0.5m (2020: £0.8m) of research and development expenditure.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

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.

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.

Exceptional items

The Directors make material critical judgements when assessing which items to classify as 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.

For example during the year ended 31 May 2021 unusual items included Covid related costs, costs related to acquisitions and disposals and strategic reviews, and restatement of development costs.

Impairment of goodwill

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

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

A key judgement in the impairment model is the use of discount rate used to discount cashflows used to assess the value in in use of each division.

The pre-tax discount rates used are derived from the Group's Weighted Average Cost of Capital (WACC) and benchmarked against comparator companies.

The key assumption in the model is the operating cash flow growth rates. If they differ from forecast then this could result in a material difference to the impairment calculated. For the Consulting business, the model is sensitive to both the discount rate and certain assumptions over consultant deployment rates. Further detail is disclosed in note 9. During the year the Group has recognised an impairment of £30.1m in respect of the Consulting business.

Impairment of property, plant and equipment

The Group recognises impairments and accelerates depreciation charges when property, plant and equipment is no longer fully in use or it's recoverable amount has been reduced. The Group recognises impairments of Right of Use Assets where the useful life of the asset is less than the remainder of the lease term.

2. REVENUE

All revenue was derived from sales in the UK and the USA. The Group's revenue is derived from the provision of services to customers.

	2021 £'M	2020 £'M
UK	247.2	265.3
USA	8.3	5.3
Total	**255.5**	**270.6**

3. OPERATING PROFIT

Operating profit is stated after charging:	NOTE	2021 £'M	2020 £'M
Depreciation - owned assets	13	5.1	6.1
Depreciation - right of use assets	13	7.1	6.8
Amortisation of intangibles	12	35.6	31.2
Training materials	14	3.6	8.4
Staff costs	5	102.8	112.2
Exceptional items	4	45.2	92.8
Research costs		0.5	0.8

The analysis of auditor's remuneration is as follows:

	2021 £'M	2020 £'M
Subsidiary audit fees	0.2	0.2
Total audit fees	**0.2**	**0.2**
Taxation advisory services	0.1	0.1
Total non-audit fees	**0.1**	**0.1**

Fees for audit of the Company for the year ended 31 May 2021 were less than £0.1m and this was also the case in the prior year ended 31 May 2020.

Fees from auditors for non-audit assurance services were less than £0.1m for the current and prior financial year.

Fees from auditors for tax advisory services were less than £0.1m for the current and prior financial year.

4. EXCEPTIONAL COSTS

	2021 £'M	2020 £'M
Acquisitions and disposals	1.8	1.3
Strategic review and digital transformation	2.9	2.8
Restructuring costs	-	2.8
Covid-related property, restructuring and related expenses	5.6	7.0
Apprenticeships funding accounting and losses attributable to discontinued programmes	(0.7)	3.1
Other specific items	0.8	1.6
Exceptional costs excluding impairment of goodwill, property, plant equipment	**10.4**	**18.6**
Impairment / accelerated depreciation of Right of Use Assets and Leasehold Improvements	4.7	-
Impairment of goodwill (note 9)	30.1	74.2
Total exceptional costs	**45.2**	**92.8**

Acquisition costs relates to the post year end acquisition of Circus Street London Limited and Cloud Academy retention and integration incentives.

Impairment / accelerated depreciation includes £3.0m relating to Right of Use Assets and £1.7m relating to leasehold improvements as a result of the Group closing and exiting a number of properties.

There was an impairment charge relating to intangibles and goodwill of £74.2m in 2020. A further impairment charge of £30.1m has been recognised in 2021 (see note 9).

The Group has commenced its digital transformation where is working with Slalom LLC, a leading digital consultancy to develop its learning products as digital first. Digital transformation costs also include implementation costs for new systems that do not meet the requirements for capitalisation under IAS 38, but are considered to be exceptional because they are unusual and non-recurring. This includes the restatement of development costs of £2.0m (2020: nil) which relates to costs previously capitalised as intangible fixed assets associated with the implementation of Software-as-a-Service (SaaS) products across the Group. During the year the IFRS Interpretations Committee determined that that certain configuration and customisation costs should be expensed to the income statement. As such the Group has reviewed and derecognised the assets that meet this criteria and has recognised this as an exceptional cost. The Directors determined not to restate comparatives as the impact on prior years is not considered to be material.

During the current year ended 31 May 2021 and the prior year ended 31 May 2020 the Group expensed certain property related costs for properties that could not be used due to Covid restrictions. During the prior year ended 31 May 2020, the Group undertook restructuring activities leading to redundancies during the year both as a result of Covid pandemic and through refinement of the Group's offerings following the strategic review. The restructuring costs primarily related to redundancy costs.

During the prior year, the Group decided to discontinued some of its apprenticeship programmes focusing instead on its core capability in technology. The costs recognised included an onerous contract provision for the historical ongoing teaching obligations as well as costs related to the reassessment of historical funding due.

4. EXCEPTIONAL COSTS (CONTINUED)

Following, completion of these activities a credit has been made to the income statement of £0.7m in 2021 as the cost of winding down these programmes was lower than had been previously estimated.

Other specific costs for the year ended 31 May 2021 include legal, professional and recruitment activities. In the prior year ended 31 May 2020, other specific items related to property costs relating to certain properties that were undergoing fit out and could not be used.

The Group has benefited from a tax credit of £2.1m in respect of the exceptional costs (2020: £2.6m).

5. STAFF COSTS

	2021 £'M	2020 £'M
Wages and salaries	91.5	99.7
Social security costs	8.4	9.6
Pension costs	2.9	2.9
Total staff costs	**102.8**	**112.2**

Staff costs include redundancy and other exceptional costs of £0.8m (2020: £5.1m).

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

	2021 NO.	2020 NO.
Learning, teaching and consulting services	921	922
Sales and administration	1,015	1,210
Total employees	**1,936**	**2,132**

Directors' Remuneration	2021 £'M	2020 £'M
Directors' emoluments	1.3	1.2
Directors' pension contributions to money purchase pension schemes	-	-
Total	**1.3**	**1.2**
Information regarding the highest paid Director is as follows:	**2021 NO.**	**2020 NO.**
Emoluments	0.6	0.5
Number of Directors accruing pension benefits:	**2021 NO.**	**2020 NO.**
Money purchase schemes	2	2

Total remuneration to key management personnel, including remuneration to Directors, is disclosed within note 28, Related Party Transactions. Directors' emoluments include nil (2020: £0.4m) for compensation for loss of office and was payable to the highest paid Director. Director pension costs are less than £0.1m (2020: less than £0.1m).

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

6. FINANCE INCOME AND COSTS

Finance Income:	2021 £'M	2020 £'M
Bank interest receivable	0.1	0.2
Fair value movement on derivatives*	0.2	0.2
Total interest receivable	**0.3**	**0.4**
Finance Costs:		
Bank loan interest	20.6	21.3
Interest on shareholder loan notes	50.2	45.8
Other interest	0.4	-
Interest on lease liability	2.8	2.1
Total interest payable	**74.0**	**69.2**

* includes the movement on interest rate swap contracts on the Group's debt. Derivatives are used as appropriate by the Group. There were no derivatives in the Statement of Financial Position as at 31 May 2021 (2020: £0.2m liability).

7. TAXATION

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

Current Tax	2021 £'M	2020 £'M
UK corporation tax	1.3	0.6
Adjustment in respect of prior periods	0.6	(1.9)
Total	**1.9**	**(1.3)**
Deferred Tax		
Origination and reversal of timing differences	(5.8)	(5.5)
Adjustment in respect of prior periods	(0.1)	0.4
Effect of change of tax rates	8.5	4.9
Total	**2.6**	**(0.2)**
Tax on loss on ordinary activities	**4.5**	**(1.5)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

7. TAXATION (CONTINUED)

Factors affecting the tax charge.

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

	2021 £'M	2020 £'M
Loss on ordinary activities before tax	(113.3)	(151.6)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%):	(21.5)	(28.8)
Effects of:		
Ordinary expenses not deductible for tax purposes, including interest	14.9	12.6
Impairment of goodwill	5.7	14.1
Effect of IFRS16	-	(0.2)
Effect of overseas tax rates	(4.6)	(3.3)
Effect of changes in tax rate	8.5	4.9
Adjustment in respect of prior periods	0.5	(1.4)
Deferred tax not recognised	1.0	0.6
Tax charge / (credit) on loss on ordinary activities	**4.5**	**(1.5)**

The Finance Act 2016 included legislation to reduce the main rate of UK Corporation Tax to 17% from 1 April 2020, however the Budget in March 2020 announced that main rate of UK Corporation Tax would remain at 19%. This was substantively enacted by the Provisional Collection of Taxes Act on 17 March 2020. Accordingly, Deferred Tax balances at 31 May 2020 were calculated at 19%, resulting in a charge of £4.9m of deferred taxation to the income statement.

The Budget in March 2021 announced that the main rate of UK Corporation Tax would increase to 25% from 1 April 2023. The effect of the change in tax rate was £8.5m (2020: £4.9m). The Finance Bill 2021 included the requisite legislation to enact this rate change and was substantively enacted on 24 May 2021. Accordingly, Deferred Tax has been calculated using estimated rates which represent the Corporation Tax rates in effect during the period in which the Deferred Tax assets or liabilities are expected to unwind.

The impact of the effects in changes in tax rate were a £8.5m charge in 2021 (2020: £4.9m).

As at 31 May 2021 there were £6.4m of accumulated tax losses (2020: £4.2m).

8. DIVIDEND PAID AND PROPOSED

No dividends have been paid or proposed by the Group or the Company (2020: nil).

9. GOODWILL

Cost	£'M
At 31 May 2019	**447.8**
Arising on acquisition (note 11)	9.4
At 31 May 2020	**457.2**
Exchange differences	(1.1)
At 31 May 2021	**456.1**
Impairment	
At 31 May 2019	**(109.8)**
Impairment losses for the year	(74.2)
At 31 May 2020	**(184.0)**
Impairment losses for the year	(30.1)
At 31 May 2021	**(214.1)**
Net Book Value	
At 31 May 2020	**273.2**
At 31 May 2021	**242.0**

9.GOODWILL (CONTINUED)

Allocation of goodwill to cash generating units
Impairment testing

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

	2021 £'M	2020 £'M
Learning	151.4	152.5
Apprenticeships	21.8	21.8
Higher Education	58.9	58.9
Consulting	9.9	40.0
Total goodwill	**242.0**	**273.2**

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful life. The present value of the expected cash flows of each cash generating unit is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the Group. An impairment charge of £30.1m has been recognised for the Consulting CGU reflecting the under-performance of the business against its forecasts.

Recoverable amount of each CGU	2021 £'M	2020 £'M
Apprenticeships	101.7	42.0
Consulting	22.1	62.6
Learning	431.0	301.1
Higher Education	308.3	255.2

Growth rates

Terminal value has been calculated using a long term growth rate of 3% per annum, in line with the target long term inflation rates expected for the sector, except for the Consulting CGU where a rate of 0% has been used.

Discount rates

The pre tax discount rate applied is 13.1% (2020: 12.8%). Management estimates discount rates that reflect the current market assessment of the time value of money and the risks specific to each CGU at the date of assessment. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital which has been calculated using the capital asset pricing model, the inputs of which include risk free rates, equity risk premiums, size premiums and risk adjustments.

9. GOODWILL (CONTINUED)

Sensitivity

The estimate of recoverable amount is particularly sensitive to the discount rate, growth rate and operating cashflow. The below table shows the impact of reasonably possible changes in these assumptions and their impact on the recoverable value stated in the table on page 81.

	GROWTH RATE		DISCOUNT RATE		CASHFLOW	
	+1%	-1%	+1%	-1%	+10%	-10%
Learning	59	(44)	(57)	80	43	(43)
Apprenticeships	16	(12)	(14)	19	10	(10)
Higher Education	47	(6)	(94)	55	31	(31)
Consulting	3	(2)	(2)	3	2	(2)

The Board has actively reviewed the forecasts associated with the CGUs noting the assumptions used, the sensitivity analysis performed and the ability of the businesses to adapt to challenging economic environments in which they operate, and is satisfied that no impairments are necessary at 31 May 2021.

10. INVESTMENTS

Cost	INVESTMENTS IN ASSOCIATE £'M
At 1 June 2019 and at 1 June 2020	1.9
Exchange movements	(0.1)
At 31 May 2021	**1.8**
Impairment	
At 31 May 2019 and 31 May 2020	-
Impairment charge	0.6
At 31 May 2021	**0.6**
Net Book Value	
At 31 May 2020	**1.9**
At 31 May 2021	**1.2**

The Group's investment is in China Professional Investments Limited "CPI" which is held through M2 Education (Hong Kong) Limited. In the year, the Group received dividends of £0.6m in respect of its investment in CPI which reduced the future recoverable amount and resulting in an impairment for the same value being recognised.

11. ACQUISITIONS

The Group did not make any acquisitions during the year ended 31 May 2021. During the prior year ended 31 May 2020, the Group acquired Cloud Academy Inc, an online provider of cloud training. No fair value adjustments have been processed in the year ended 31 May 2021 in respect of the prior year ended 31 May 2020 acquisition accounting.

On 1 July 2021 the Group acquired Circus Street London Limited.

Further details are included in note 30.

12. OTHER INTANGIBLE ASSETS

	CUSTOMER RELATIONSHIPS £'M	TRADENAME £'M	CONTENT AND MATERIALS £'M	SOFTWARE AND DEVELOPMENT COSTS £'M	TOTAL £'M
Cost					
At 31 May 2019	**277.0**	**19.0**	**3.0**	**2.3**	**301.3**
On acquisition of subsidiaries	2.5	-	5.6	-	8.1
Reclassifications from tangible fixed assets*	-	-	-	1.9	1.9
Additions from development	-	-	-	7.0	7.0
Exchange differences	0.1	-	0.2	0.1	0.4
At 31 May 2020	**279.6**	**19.0**	**8.8**	**11.3**	**318.7**
Additions from development	-	-	-	10.5	10.5
Exchange differences	(0.3)	-	(0.8)	(0.3)	(1.4)
At 31 May 2021	**279.3**	**19.0**	**8.0**	**21.5**	**327.8**
Amortisation					
At 31 May 2019	**47.7**	**1.9**	**2.0**	**0.3**	**51.9**
Reclassification from tangible fixed assets	-	-	-	1.0	1.0
Charge for year	25.1	1.0	2.9	2.2	31.2
Exchange differences	-	-	(0.2)	-	(0.2)
At 31 May 2020	**72.8**	**2.9**	**4.7**	**3.5**	**83.9**
Charge for year	28.1	1.0	1.7	4.8	35.6
Restatement (note 4)	-	-	-	2.0	2.0
Exchange differences	0.1	-	-	-	0.1
At 31 May 2021	**101.0**	**3.9**	**6.4**	**10.3**	**121.6**
Net Book Value					
At 31 May 2020	**206.8**	**16.1**	**4.1**	**7.8**	**234.8**
At 31 May 2021	**178.3**	**15.1**	**1.6**	**11.2**	**206.2**

* During the prior year ended 31 May 2020, certain software development assets were transferred from property, plant and equipment assets to intangible fixed assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

13. PROPERTY, PLANT AND EQUIPMENT

	RIGHT OF USE ASSETS £'M	SHORT TERM LEASEHOLD IMPROVEMENTS £'M	FIXTURES, FITTINGS AND EQUIPMENT £'M	TOTAL £'M
Cost				
At 31 May 2019	**46.6**	**11.9**	**12.8**	**71.3**
Additions	19.1	5.5	3.9	28.5
Reclassification to intangible assets	-	-	(1.9)	(1.9)
At 31 May 2020	**65.7**	**17.4**	**14.8**	**97.9**
Additions	7.5	2.5	1.9	11.9
At 31 May 2021	**73.2**	**19.9**	**16.7**	**109.8**
Depreciation				
At 31 May 2019	**10.6**	**4.9**	**6.9**	**22.4**
Charge for year	6.8	2.5	3.6	12.9
Reclassification to intangible assets	-	-	(1.0)	(1.0)
At 31 May 2020	**17.4**	**7.4**	**9.5**	**34.3**
Charge for year	7.1	2.2	2.9	12.2
Impairment of assets	3.0	1.5	0.2	4.7
At 31 May 2021	**27.5**	**11.1**	**12.6**	**51.2**
Net Book Value				
At 31 May 2020	**48.3**	**10.0**	**5.3**	**63.6**
At 31 May 2021	**45.7**	**8.8**	**4.1**	**58.6**

14. INVENTORIES

	2021 £'M	2020 £'M
Training material and goods for resale	0.1	0.2

In 2021, training materials of £3.6m (2020: £8.4m) were recognised as an expense during the period and included in 'cost of sales'. The value of inventories is stated after provision for obsolescence of £nil (2020: £0.1m).

15. TRADE AND OTHER RECEIVABLES

	2021 £'M	2020 £'M
Amounts falling due within one year		
Trade receivables	29.6	19.1
Accrued income	10.4	11.1
Corporation tax	0.4	2.2
Prepayments	8.6	5.6
Total	**49.0**	**38.0**

No interest is charged on outstanding trade receivables. Trade receivables are stated after a provision of £5.8m (2020: £2.6m). Trade receivables include £0.5m (2020: £0.5m) of related party receivables (see note 28).

Trade Receivables

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, £0.3m (2020: £1.9m) is due from the Group's largest customer. There are no other customers who represent more than 5 per cent of the total balance of trade receivables.

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

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

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade Receivables

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

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

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

	GROSS CARRYING AMOUNT 2021 £'M	LIFETIME ECL 2021 £'M	NET CARRYING AMOUNT 2021 £'M
Not past due	14.5	(0.3)	14.2
< 30 days past due	11.8	(1.4)	10.4
30 - 60 days past due	2.9	(0.7)	2.2
60 - 180 days past due	6.2	(3.4)	2.8
Total	**35.4**	**(5.8)**	**29.6**

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

16. CASH AND CASH EQUIVALENTS

	2021 £'M	2020 £'M
Cash at bank and in hand	75.1	107.3
Cash and cash equivalents in the statement of cash flows	**75.1**	**107.3**

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

	2021 £'M	2020 £'M
Amounts falling due within one year		
Trade payables	17.7	8.1
Social security and other taxes	7.2	13.6
Amounts owed to Group undertakings	3.7	3.4
Other creditors	8.7	11.0
Accrued expenses	28.5	20.1
Deferred income	60.4	45.1
Total	**126.2**	**101.3**

Amounts due to Group undertakings are repayable within one year and attract no interest. Other creditors include £3.0m (2020: £6.5m) due to related parties. Accruals include £2.7m (2020: £2.6m) due to related parties. See note 28.

18. LOAN AND BORROWINGS

	CURRENT 2021 £'M	NON-CURRENT 2021 £'M	TOTAL 2021 £'M	CURRENT 2020 £'M	NON-CURRENT 2020 £'M	TOTAL 2020 £'M
Bank loans	15.0	315.6	330.6	65.0	313.9	378.9
Shareholder loans	-	534.0	534.0	-	483.8	483.8
Lease liabilities	7.0	50.0	57.0	6.8	45.2	52.0
	22.0	**899.6**	**921.6**	**71.8**	**842.9**	**914.7**

Current bank loans represent a revolving credit facility, which is repayable within one year, and attracts interest at LIBOR + 3.75% (2020: 3.5%). The facility is available until 2023. Non-current bank loans represent a term loan facility which is repayable in 2024, and attracts interest at LIBOR + 4.75% (2020: 4.75%). Shareholder loans are repayable in 2047 and attract interest at a rate of 10% (2020: 10%). Included within shareholder loans is capitalised interest of £172.1m (2020: £121.9m). The bank loans are secured via a fixed and floating charge over all of the assets of the Group.

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

19. PROVISIONS

	2021 £'M	2020 £'M
Dilapidations		
At start of year	6.1	6.3
Utilised in the year	(0.1)	(0.2)
Recognised in the year	0.2	-
Unwind of discount on provision	-	-
Total	**6.2**	**6.1**
Onerous Contracts		
At start of year	0.8	-
Released in year	(0.7)	-
Utilised in the year	(0.3)	-
Recognised in the year	2.7	0.8
Unwind of discount on provision	-	-
Total	**2.5**	**0.8**
Restructuring		
At start of year	3.7	-
On acquisition of subsidiaries	-	0.1
Utilised in the year	(3.6)	(0.1)
Recognised in the year	-	3.7
Unwind of discount on provision	-	-
Total	**0.1**	**3.7**
Current liabilities	2.1	4.4
Non-current liabilities	6.7	6.2
Total Provisions	**8.8**	**10.6**

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

The provision for onerous contracts includes both vacant leasehold property provisions and in the prior year, the provision for onerous customer contracts.

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

NOTES TO THE CONSOLIDATED FINANCIAL
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20. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 £'M	2020 £'M
Interest rate swap	-	0.2
Total	**-**	**0.2**

As at the balance sheet date of 31 May 2021, the value of the interest rate swap was nil (2020: £0.2m liability).

To reduce the interest rate risk of changes in LIBOR the Group entered into a pay-fixed receive-floating interest rate swap. The swap's notional principal was £200,000,000 and it matured on 30 November 2020. The swap contract has not been renewed given the low interest rate environment at the current time.

A credit of £0.2m is included within Finance Income for the year. See note 6 to the financial statements.

21. DEFERRED TAX

	2021 £'M	2020 £'M
Temporary differences	46.3	40.8
Net deferred tax liability	**46.3**	**40.8**
Movements in deferred tax liability		
Amounts brought forward	40.8	39.7
Arising on acquisition	-	1.3
Charge / (credit) for the year	2.6	(0.2)
Transfer to deferred tax assets	2.9	-
Balance at end of year-deferred tax liability	**46.3**	**40.8**
Deferred tax assets	**2.9**	**-**

The Group has an unrecognised deferred tax asset of £1.4m (2020: £0.8m). The Group does not have any unrecognised deferred tax liabilities. The income statement charge of £2.6m (2020: £0.1m) arises mainly due to a remeasurement of the deferred tax liabilities arising on intangibles of £8.5m (2020: £4.9m), which have offset the credit to the income statement in respect of fixed assets and short term timing differences of £5.8m, and adjustments in respect of prior years of £0.1m. Further details are included in note 7.

The fixed asset temporary differences are the Group's deferred tax assets, while the other temporary differences are the Group's deferred tax liabilities.

Deferred tax assets of £2.9m (2020: nil) are included within non-current assets in the Consolidated Statement of Financial Position.

22. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each	SHARES NO.	SHARE CAPITAL £'M
Issued for cash	1,000,000	1.0
At 31 May 2020 and At 31 May 2021	**1,000,000**	**1.0**

The Company has authorised and issued 1,000,000 Ordinary shares of £1 each at par. Each share carries pari passu voting and distribution rights. No shares have been issued during the year (2020: nil).

Share Based Payments

No shares were issued during the year ended 31 May 2020. During the year ended 31 May 2021, the Company issued a further 21,580 shares to management (June and July 2020). The shares vest upon change of control of the Group. The estimated value of the shares granted is £0.6m.

This has resulted in a charge to the income statement in the year ended 31 May 2021 of £0.5m (2020: £0.4m).

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	2021 AWARDS	2019 AWARDS	2018 AWARDS
Expected volatility	31.8%	32.2%	30.3%
Expected term	3.0 years	3.2 years	3.9 years
Risk free rate	0.2%	0.7%	0.3%
Dividend yield	0.0%	0.0%	0.0%

22. CALLED UP SHARE CAPITAL (CONTINUED)

	SHARES 2021 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2021 £	SHARES 2020 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2020 £
Outstanding at beginning of year	13,834	-	47,905	-
Granted during the year	21,580	-	-	-
Forfeited during the year	-	-	(5,905)	-
Vested during the year	(26,584)	-	(28,166)	-
Expired during the year	-	-	-	-
Not vested at the end of the year	**8,830**	**-**	**13,834**	**-**
Vested at the end of the year	**54,750**	**-**	**28,166**	**-**

23. RESERVES

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

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

Non-controlling interest:

	2021 £'M	2020 £'M
At start of year	-	(0.7)
Purchase of non-controlling interest	-	0.7
Profit for the year	-	-
At end of year	**-**	**-**

During the prior year ended 31 May 2020, the Company acquired the reminaing stake in M2 Education Hong Kong for $1.

24. RETIREMENT BENEFIT SCHEMES

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

The total costs charged of £2.9m (2020: £2.7m) represent contributions payable to these schemes by the Group at rates specified in the rules of the plans. Contributions payable to the schemes at the year end were £0.6m (2020: £1.0m).

25. FINANCIAL INSTRUMENTS

The Group's activities expose it to a number of financial risks including liquidity risk, price risk and credit risk. The Group does not use derivatives for speculative purposes.

The Group and the Company's principal financial instruments are amounts receivable from customers, cash, bank loans and overdrafts.

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.

25. FINANCIAL INSTRUMENTS (CONTINUED)

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

PRICE RISK

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

FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts, where appropriate. Details of the Group's forward contracts are included in note 20.

INTEREST RATE RISK

The Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. During the prior year ended 31 May 2020, the Group used interest rate swaps to minimise its exposure to interest rate risks. Details of movement in the interest rate swap can be found in note 20.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

INTEREST RATE SWAPS – LEVEL 2

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

25. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2021 £'M	2020 £'M
Financial assets		
Amortised cost		
Cash and bank balances	75.1	107.3
Trade and other receivables	29.6	19.1
Financial liabilities		
Amortised cost		
Trade and other payables	51.9	32.7
Other financial liabilities measured at amortised cost (see note 18)	864.6	862.7
FVTPL		
Interest rate swaps	-	0.2

The other financial liabilities measured at amortised cost of £864.6m (2020: £862.7m) include shareholder loans and bank loans. The 2020 comparative number has been restated to be consistent with the 2021 definition of these liabilities.

26. CAPITAL COMMITMENTS

The Group has capital commitments of £nil (2020: £nil).

27. ULTIMATE PARENT COMPANY

The Directors regard IndigoCyan Holdco 2 Limited, a company registered in Jersey as the immediate Parent company, and IndigoCyan Holdings Jersey Limited, a company registered in Jersey as the ultimate parent undertaking and controlling party. IndigoCyan Holdings Jersey Limited is controlled by CVC Advisors LLC.

The largest and smallest group within which the Company is consolidated is Indigo Cyan Holdco 3 Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

28. RELATED PARTY TRANSACTIONS

Saltgate Limited ("Saltgate") is a related party by virtue of common directors. During the year the Group made purchases of £0.1m (2020: £0.1m) from Saltgate and a balance of £nil (2020: £nil) was due to Saltgate at the year end, and included in accruals.

CVC Credit Partners LLC ("CVC") is a related party by virtue of common ownership and control of the Group. Bank loans includes £5.0m (2020: £6.4m) of loans provided by funds controlled by CVC. Interest accrued on these loans in the year totalled £0.2m (2020: £0.4m).

The Company's immediate parent IndigoCyan Holdco 2 Limited has provided the Company with loans totalling £534.0m (2020: £483.8m). These loans accrued interest of £50.2m (2020: £45.6m) during the year.

The Group's Higher Education business has partnerships with its University partners to deliver degree programs through Branch campuses. These are held through joint venture arrangements. During the course of the year the Group made purchases of £1.4m (2020: £1.8m) from these and made sales of £11.8m (2020: £8.8m). In addition to this the Group's University partners receive student funding on behalf of the Group and remit this to QA. During the year the Group received funds from its University Partners totalling £41.8m (2020: £38.5m) and at the balance sheet date the partners owed the Group £5.5m (2020: £0.5m). As at 31 May 2021 , the Group owes it's partners of £5.7m (2020: £9.1m), as set out in note 17.

Key management personnel are deemed to be the Directors and executive management Board. Remuneration for key management personnel is £2.8m (2020: £2.7m).

29. NET CASH FLOW FROM OPERATING ACTIVITIES

	2021 £'M	2020 £'M
Loss for the year	(117.8)	(150.1)
Adjustments for:		
Net finance costs	73.9	69.0
Fair value movement on derivatives	(0.2)	(0.2)
Depreciation	12.2	12.9
Amortisation of intangibles excluding software and development	30.8	29.0
Amortisation of intangibles relating to software and development	4.8	2.2
Restatement of intangibles development costs	2.0	-
Impairment charges-goodwill and intangibles	30.1	74.2
Impairment charges right of use assets and fixed assets	4.7	-
Income tax	4.5	(1.5)
(Decrease) / increase in provisions	(1.8)	4.3
Total	**161.0**	**189.9**
Changes in:		
Decrease in inventories	0.1	-
(Increase) / decrease in receivables	(10.2)	18.0
Increase in payables	25.1	7.9
Working capital movement	**15.0**	**25.9**
Taxation paid	(0.1)	(4.8)
Net cash inflow from operating activities	**58.1**	**60.9**

29. NET CASH FLOW FROM OPERATING ACTIVITIES (CONTINUED)

Changes in liabilities arising from financing activities.

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

	AT 1 JUNE 2020 £'M	FINANCING CASH FLOWS £'M	FAIR VALUE ADJUSTMENTS £'M	OTHER CHANGES* £'M	AT 31 MAY 2021 £'M
Bank loans	378.9	(50.0)	-	1.7	330.6
Shareholder loans	483.8	-	-	50.2	534.0
Lease liabilities	52.0	(5.3)	-	10.3	57.0
Interest rate swaps	0.2	-	(0.2)	-	-
Total	**914.9**	**(55.3)**	**(0.2)**	**62.2**	**921.6**

* Other changes include interest accruals.

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

30. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 1 July 2021 the Group acquired London Limited (Circus Street), a global leader in providing commercial digital skills through its subscription-based digital platform. The rationale for the Group targeting this acquisition was Circus Street's market leading technology and the ability of QA to provide this as a service to its customer base while continuing to grow Circus Street's existing customer base.

Due to the proximity of the acquisition to the year-end, the fair value accounting and goodwill calculations are not yet complete. Consideration of £24.8m has been incurred to date in respect of this acquisition.

The remaining shares in Circus Street are to be acquired in late 2023 for a variable sum based on Circus Street's performance for the year ended 31 May 2023.

In addition, the following contingent consideration is payable in respect of the deal:

1. Contingent consideration of up to £9.0m, payable up to December 2021, the payment being contingent on property synergies being achieved: and
2. Contingent consideration of up to £5.9m payable to Circus Street management, in QA Preference Shares, the payment being contingent on the EBITDA performance in the year ended 31 May 2022. Circus Street is expected to contribute positively to the Group's EBITDA.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2021

	NOTE	2021 £'M	2020 £'M
Assets			
Non-current Assets			
Investments	2	-	-
Trade and other receivables	3	863.1	660.9
Total Assets		**863.1**	**660.9**
Liabilities			
Current Liabilities			
Loan and borrowings	6	(15.0)	(65.0)
Trade and other payables	4	(75.0)	(4.7)
Derivative financial instruments	5	-	(0.2)
		(90.0)	**(69.9)**
Non-current Liabilities			
Loan and borrowings	6	(849.6)	(797.7)
		(849.6)	**(797.7)**
Total Liabilities		**(939.6)**	**(867.6)**
NET ASSETS		**(76.5)**	**(206.7)**
Equity			
Share capital	7	1.0	1.0
Retained earnings		(77.5)	(207.7)
Total Equity		**(76.5)**	**(206.7)**

The Parent Company's profit for the year was £130.2m (2020: loss £231.5m). The financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 30 November 2021.

Signed on behalf of the Board of Directors by:

Nathan Runnicles
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2021

	SHARE CAPITAL £'M	RETAINED EARNINGS £'M	TOTAL EQUITY £'M
As at 1 June 2019	1.0	23.8	24.8
Loss for the year	-	(231.5)	(231.5)
Total comprehensive income for the year	-	**(231.5)**	**(231.5)**
As at 31 May 2020	**1.0**	**(207.7)**	**(206.7)**
Profit for the year	-	130.2	130.2
Total comprehensive income for the year	**-**	**130.2**	**130.2**
As at 31 May 2021	**1.0**	**(77.5)**	**(76.5)**

1. ACCOUNTING POLICIES

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

Basis of Parent

The Company's financial statements are presented in Sterling (£) and all values are rounded to the nearest hundred thousand pounds (£0.1m) except where otherwise indicated. The financial statements of the Company present the results of the Company for the year to 31 May 2021, and the prior year comparative to 31 May 2020. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

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

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

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

Investments in subsidiaries

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Impairment of non-financial assets

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

1. ACCOUNTING POLICIES (CONTINUED)

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the strategic plan for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Further information on the Group's approach is set out in the Group's accounting policies on page 73.

There are no critical accounting estimates related to the Company.

Staff costs

The Company does not pay staff costs, as it has no employees. The Company has not made any payments to Directors during the year (2020: nil). The Directors do not believe that it is practicable to allocate their time between the Group companies. The payments were borne by another Group company.

2. INVESTMENTS

	INVESTMENTS IN SUBSIDIARIES 2021 £'M	INVESTMENTS IN SUBSIDIARIES 2020 £'M
Cost		
At the start of the year	1.0	1.0
Additions	-	-
At the end of the year	**1.0**	**1.0**
Accumulated Impairment Charges		
At the start of the year	(1.0)	-
Impairment charges	-	(1.0)
At the end of the year	**(1.0)**	**(1.0)**
Net Book Value	**-**	**-**

During the prior year ended 31 May 2020, the Company impaired the carrying value of it's investment by £1.0m, further details are included in Note 3.

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

Name	Country of incorporation	Ownership	Principal activity	Class of holding
Entities with registered office: 27 Esplande, St Helier, Jersey, JE1 1SG				
IndigoCyan Midco Limited	Jersey	100%	Holding company	Ordinary
IndigoCyan Bidco Limited*	Jersey	100%	Holding company	Ordinary
Ichnaea Jersey Topco Limited*	Jersey	100%	Holding company	Ordinary
Entities with registered office: International House, 1 St Katherine's Way, London E1W 1UN				
Ichnaea UK Bidco Limited*	England and Wales	100%	Holding company	Ordinary
Seckloe 208 Limited*	England and Wales	100%	Holding company	Ordinary
QA Limited*	England and Wales	100%	Provision of training services	Ordinary

2. INVESTMENTS (CONTINUED)

Name	Country of incorporation	Ownership	Principal activity	Class of holding
Focus Project Management (Europe) Limited^^*	England and Wales	100%	Provision of training services	Ordinary
QAHE (Ulst) Limited*	England and Wales	100%	Provision of Higher Education	Ordinary
QAHE (NU) Limited*	England and Wales	100%	Provision of Higher Education	Ordinary
QAHE (UR) Limited*	England and Wales	100%	Provision of Higher Education	Ordinary
QAHE (SU) Limited*	England and Wales	100%	Provision of Higher Education	Ordinary
QAHE 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
QAHE (LM) Limited*	England and Wales	100%	Provision of Higher Education	Ordinary
QAHE Pathways Limited*	England and Wales	100%	Provision of Higher Education	Ordinary
QA Gateway Limited*	England and Wales	100%	Non-trading	Ordinary
QA Consulting Services Limited*	England and Wales	100%	Provision of consultancy services	Ordinary
Entities with registered office: 4th Floor, VC House, 4-6 Lan Street, Central, Hong Kong				
M2 Education (Hong Kong) Limited*#	Hong Kong	100%	Holding Company	Ordinary
Entities with registered office: 1 Bluxome Street, San Francisco, CA 94107, United States of America				
QA USA, Inc*	United States of America	100%	Holding company	Ordinary

2. INVESTMENTS (CONTINUED)

Name	Country of incorporation	Ownership	Principal activity	Class of holding
Cloud Academy Inc*	United States of America	100%	Provision of on-line training services	Ordinary
Entities with registered office: 1013 Centre Road, Wilmington, Delaware, 19805				
QA Consulting USA Inc*	United States of America	100%	Dormant	Ordinary
Entities with registered office: Via Penate 16, 6850 Mendrisio, Switzerland				
Cloud Academy Sagl*	Switzerland	100%	Software and content developer	Ordinary
Entities with registered office: 1 Alfred Place, Third Floor, Fitzrovia, London, England, WC1E 7EB				
Circus Street London Limited*^	England and Wales	85.40%	Provision of on-line training services	Ordinary
Entities with registered office: 20 Collyer Quay, #09-01, Singapore, 049319				
Circus Street (SG) Pte Singapore*^	Singapore	85.40%	Provision of on-line training services	Ordinary
Entities with registered office: Office 745, 79 Madison Avenue, New York, 10016, USA				
Circus Street Inc*^	United States of America	85.40%	Provision of on-line training services	Ordinary
Entities with registered office: c/o Kellaway Cridland Ptd Limited, Suite 1802, Level 18, 9-13 Hunter Street, Sydney, NSW 2000, Australia				
Circus Street Australia Pty Limited*^	Australia	85.40%	Provision of on-line training services	Ordinary

* Indirect subsidiaries
# The Group has commenced with a process of disposing of its investment in Hong Kong
^ Acquired subsequent to the balance sheet date
^^ Subsequent to the balance sheet date the Company ceased trading.

See note 8 for details of the acquisition of Circus Street London Limited , which subsidiary Seckloe 208 Limited acquired post year-end.

3. TRADE AND OTHER RECEIVABLES

	2021 £'M	2020 £'M
Amounts falling due after one year:		
Loans to Group undertakings	863.1	660.9
Total	**863.1**	**660.9**

Loans to Group undertakings due after one year are repayable in 2047 and attract interest at a rate of 10% (2020: 10%).

During the year ended 31 May 2020, the Company assessed the recoverability of its receivables in light of current trading performance and the impact of Covid on the economy. This resulted in a write down of the receivable of £288.3m. The impaired carrying value of investments is nil. During the prior year ended 31 March 2020, an impairment of the Company's investment of £1.0m was applied. During the year the Company has reassessed the recoverability of the receivables which has led to a £148.5m increase in the value of the receivables.

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

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

	2021 £'M	2020 £'M
Amounts falling due within one year:		
Amounts owed to Group undertakings	74.6	4.1
Accruals	0.4	0.6
Total	**75.0**	**4.7**

Amounts owed to Group undertakings due within one year are repayable on demand. Of the balance £0.8m (2020: £0.8m) is due to IndigoCyan Topco Limited. The remainder of the balance is due from the Company's subsidiaries.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

5. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	2021 £'M	2020 £'M
Interest rate swap	-	0.2
Total	**-**	**0.2**

To reduce the interest rate risk of changes in LIBOR the Company had entered into a pay-fixed receive-floating interest rate swap. The swap's notional principal is £200m and it matured on 30 November 2020. This derivative was not renewed.

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 Company and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

6. LOAN AND BORROWINGS

	CURRENT 2021 £'M	NON-CURRENT 2021 £'M	TOTAL 2021 £'M	CURRENT 2020 £'M	NON-CURRENT 2020 £'M	TOTAL 2020 £'M
Bank loans	15.0	315.6	330.6	65.0	313.9	378.9
Shareholder loans	-	534.0	534.0	-	483.8	483.8
	15.0	**849.6**	**864.6**	**65.0**	**797.7**	**862.7**

Current bank loans represents a revolving credit facility, which is repayable within one year and attracts interest at LIBOR + 3.75% (2020: 3.50%). The facility is available until 2023. Non-current bank loans represent a term loan facility, which is repayable in 2024 and attracts interest at LIBOR + 4.75% (2020: 4.75%). Shareholder loans are repayable in 2047 and attract interest at a rate of 10% (2020: 10%). The shareholder loans are considered to be related party transactions. Further disclosure is included in note 28 of the Group financial statements.

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

7. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each	2021 SHARES NO.	2021 SHARE CAPITAL £'M	2020 SHARES NO.	2020 SHARE CAPITAL £'M
Issued for cash	1,000,000	1.0	1,000,000	1.0
At end of year	**1,000,000**	**1.0**	**1,000,000**	**1.0**

The Company has authorised and issued 1,000,000 Ordinary shares of £1 each at par. Each share carries pari passu voting rights. No shares have been issued during the period (2020: nil).

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

8. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date other than as set out in note 30 to the Group financial statements.

CAUTIONARY STATEMENT

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

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

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

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

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

POWERING
POTENTIAL

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