POWERING POTENTIAL

ANNUAL REPORT 2022

And Financial Statements 2022
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 education services, helping individuals and companies to be winners in the digital revolution.

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KEY HIGHLIGHTS

QA is a world leading technology and digital skills organisation. 2022 was a great year for us.

439,000
Learners

34%
increase in apprenticeship starts

7,000
higher education students enrolled

1,300+
trained through Department for Education ("DfE") Bootcamps

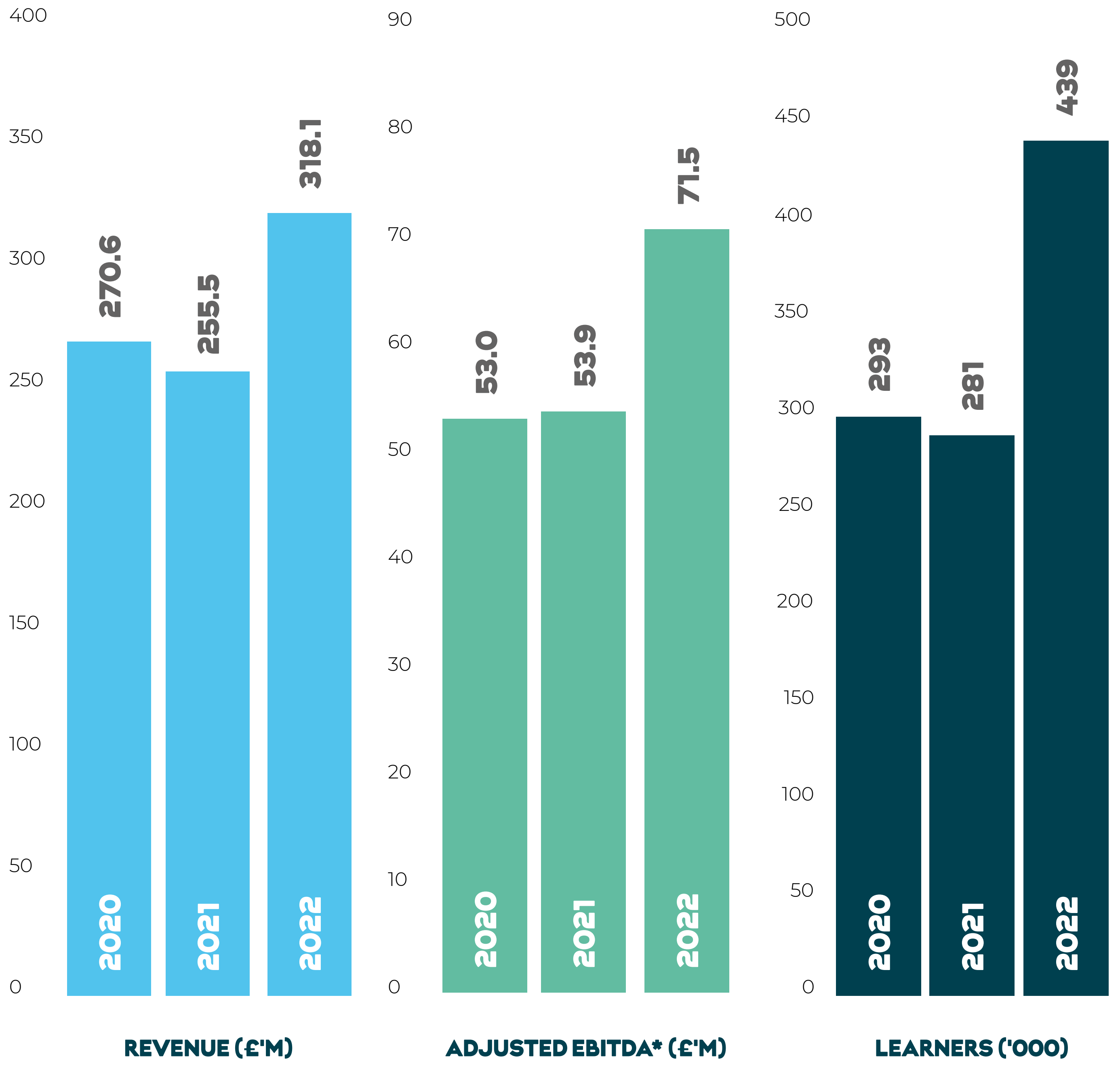


*Table 1 (pg 44) and Table 3 (pg 48) include the definition of Adjusted EBITDA and the reconciliation to the Group's loss before tax.

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

More than 439,000 people learnt with QA last year. We deliver services to over 4,500 corporate clients, including a significant portion of FTSE100 firms. We have leading practices in Agile, Cyber Security, Cloud and DevOps – as well as many other technology domains and soft skills development. 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 funded learning programmes and bootcamps are used to identify, recruit and develop diverse technology talent.

WORKFORCE LEARNING

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 and management talent within their organisation. Our public schedule and private client events offer a broad spectrum of instructor-led and blended training programmes that are delivered digitally and virtually to learners (and also in the classroom if requested).

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 fully managed services. We take on all of the administration, sourcing and management of training spend to help our clients deliver more efficiently and effectively on their learning and development budgets.

Our subscription-based digital learning platform, Cloud Academy provide clients with a global solution to developing skills 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 first assess capabilities and then the platforms machine learning algorithms create and assign personalised learning pathways to individuals and teams. Real-time analytics and reporting track learners' progress supported by over 1,000 labs that test the application of their newly gained skills and ensure teams are ready to meet the challenge of their complex cloud environments.

Circus Street is QA's most recent addition. 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.

We are the UK market leader in digital and technology apprenticeships, and have trained over 35,000 apprentices (and counting!). Our funded learning programmes offer apprenticeship qualifications from Level 3 all the way up to masters-degree Level 7, supporting organisations looking to maximise the use of their apprenticeship levy. We work to understand their needs and requirements and then 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 client staff who would benefit from upskilling in their roles. Our programmes are 'digital by design' meaning they use a unique combination of digital and virtual learning – introducing each element where it adds the most value for learners.

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 Increasingly we are partnering with clients seeking to identify which employees have 'technology potential' in order to reskill them for redeployment into new roles. Clients have used our skills bootcamps to retrain back-office administrators and redeploy them as data engineers or upskill IT service desk engineers into fully-fledged software developers. This year we have also partnered with the Department of Education to reskill over 1,300 talented individuals, introducing them to new career opportunities in technology roles.

In addition where clients do not wish to onboard apprenticeships or reskill their own teams, we offer a recruit-train-deploy service. QA attracts applications from a diverse mix of backgrounds and experience levels and then over an extended bootcamp arms them with the technology skills clients need to support their transformation projects. Typically our technology specialists are deployed on client projects for 18-24 months.

HIGHER EDUCATION

Our Higher Education business complements our corporate products and services. Working 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. We offer more than 100 degree programmes in a range of subjects from Artificial Intelligence to Cyber to Business Management. We teach these programmes 7 days a week and currently have over 7,000 students studying with us across 8 different teaching locations (including partner sites).

CHAIRMAN'S STATEMENT

The digital skills gap is widening at an extraordinary pace. According to labour market analytics business Lightcast, between January 2020 and January 2022 recruitment adverts for tech roles across the UK increased by 56%. In some UK regions the increase in demand exceeded 100% of 2020 levels. Over the same period the size of the UK tech industry, based on the number of people employed in tech roles, increased by just 2.1%[1].

The worrying acceleration in the size of the skills gap can, in part, be explained by the pandemic. As businesses were forced to move goods and services online they naturally needed to create new departments, functions and roles with the skills to make that happen. Almost all businesses saw a rapid explosion in the need for tech and digital skills, from product development and sales to customer service and HR.

However, while the pandemic accelerated the need for tech and digital skills it didn't create it. This accelerating demand for skilled tech talent is no passing phase. Recent research by the Learning & Work Institute found that 92% of organisations state that digital skills are key to success, helping to drive growth, innovation and productivity[2].

And this isn't an issue that's unique to the UK. QA works globally, particularly via our Circus Street and Cloud Academy businesses. Demand for skills development is ramping up everywhere. Meeting this demand is critical for business success and wider society - it's key to the effective participation of millions of people in a vibrant economy. For example, in November 2021 the Information Technology & Innovation Foundation (ITIV) found that a full one-third of working-age Americans have either no or limited digital skills[3], skills that are critical to higher wages.

With businesses investing billions in technology, some with amazing capability, they need to make sure they have robust talent strategies and pipelines. Buying the latest hot-off-the-press tech is the easy part. Getting value from it is much harder.

The good news is that businesses are responding to the challenge. By 2030, the global corporate training market is expected to have increased in value by 40% compared to 2019 levels, rising from $332.9bn to $487.3bn, with technical training the highest revenue contributor in the market[4]. With so much more money expected to be invested in training, there is a real opportunity to make a real dent in the digital and tech skills gap. But the money must be spent effectively.

What's needed is a massive and sustained investment in human capital.

Every day we talk to businesses who are struggling to find and retain digital and tech talent across a diverse range of disciplines, from Cloud Computing, Cyber Security and Data Analytics to essential 'soft' digital skills needed by much larger swathes of the workforce. We know that businesses want solutions to these problems from our work with over 4,500 private businesses and public companies, including many in the FTSE100 and FTSE250.

We also know what works and what doesn't. Businesses that invest effectively in their people see great results, improving integration of technology through the acquisition of comprehensive skillsets including technical and communication skills in areas such as cyber security, data and leadership.

Through this approach they unlock the potential of their tech and their teams, helping to drive achievement of business goals.

But unfortunately, many businesses don't do this. Time and time again we see employers patching up their problems rather than creating genuine long-term solutions. There is still a tendency to focus on new hires. This might be fine in a market awash with skilled individuals looking for work but, as Lightcast's data shows, this just isn't realistic. More fundamentally, this approach perpetuates the separation of technology and strategy. How often do we hear that a systems investment didn't generate the returns expected? Usually it's not for lack of technology, almost always it's about not having the right capability to use it, or failing to adapt the organisation so it can do so.

At QA we help businesses to understand the opportunity in their human capital and we provide the services and solutions to realise it. Often this starts with reskilling and upskilling through advanced learning techniques that deliver better results faster than conventional training. It extends into services which enable businesses to diversify their hiring practices and improve the skills and confidence of existing staff.

After years of spending billions on technology, businesses need to make a similarly strategic investment in their people. With the skills gap ever widening, they must make this a priority. And they must do it now. QA is at the forefront of providing businesses with the tools and services they need to make skills investment pay. We're privileged to support the world's largest and most forward-thinking companies in this endeavour. Inclusive and sustainable growth depends upon it, whatever sector you may work in and wherever in the world you may be.

Sir Charlie Mayfield
Chairman

At QA we help businesses to understand the opportunity in their human capital and provide the service and solutions to help them realise it.

[1] Lightcast labour market data modelling, Tech Occupations by Location and Job Postings by Location
[2] https://learningandwork.org.uk/resources/research-and-reports/disconnected-exploring-the-digital-skills-gap/
[3] https://itif.org/publications/2021/11/29/assessing-state-digital-skills-us-economy/
[4] Allied Market Research, Corporate Training Market Analysis undertaken for QA in FY22

CEO REVIEW

FY22 was a pivotal year for QA. We delivered record revenue and EBITDA, with strong growth across our Workforce Learning and Higher Education businesses. Behind the scenes, we have also been building the powerful platform for our next phase of growth. Guided by deep market and client insight, we have a clear strategy to align our portfolio businesses and platforms, and now have in place the technology and leadership to deliver it.

A RECORD YEAR

QA delivered revenues of £318.1m (+25%) and EBITDA of £71.5m (+33%), both records for the Group. I'm very proud of this performance that illustrates the increasing demand for digital and tech skills across the economy.

Our revenue growth shows that we have effectively evolved our offers quickly to meet the needs of our clients, learners and students, and also demonstrated the Group's strengths as our markets emerged from the Covid pandemic. In each of our businesses we've adapted quickly to deliver excellent on-demand, virtual, live and blended learning – across bootcamps, apprenticeships, undergraduate and master's degrees and expert instructor-led training. We are fast to create high-quality new content and programmes in an ever-changing and more-demanding market – for example master's programmes in Big Data and Data Science Technology, and new Microsoft Azure Cloud Apprenticeships. We have added some of the world's most prestigious companies in the UK and further afield to our client list, and serve key parts of the government and the public sector.

Our record EBITDA is driven by revenue growth coupled with the acquisition of Circus Street, but it also shows that we are an efficient business that benefits from scale. We've worked hard to realise the benefits of less physical delivery through lower property costs and ensuring our brilliant trainers can spend more time teaching and less time travelling. As we go forward, we see a range of further opportunities to automate the business and continually improve the learner and client experience.

While our financial records this year are cause for satisfaction, the whole QA team take delight in the number of people who have benefitted from being reskilled and upskilled, and the positive results we see across our measures of learner satisfaction and student achievements. In FY22 we taught 439,000 individuals. As of August 2022, 90% of our surveyed learners would recommend us.

BUILDING FUTURE GROWTH

Our work is absolutely critical to resolving what we believe are some of the greatest challenges of the digital age – the ever-widening skills gap, the Great Resignation, the employability of higher education students and improving social mobility.

We operate in very dynamic markets, and this year we have invested in deep understanding of client needs in workforce learning in the UK and US, and also UK Higher Education through research commissioned by QA using industry experts. This work has helped us launch clear strategies for these two businesses for the next 3-5 years.

The great news is that our research shows our core markets are well-placed for strong growth despite the economic outlook. We have the opportunity to take a growing share of corporate training expenditure. In particular, the research confirms that our clients see live learning as a critical component of effective skills development, on top of the convenience and rich data of digital learning. The other over-arching finding from our research is that students, learners and clients want practical skills that can immediately be applied in their business – whether that is ensuring students acquire the employability skills they need, or building confidence for clients that their teams are ready to maximise the benefits of new technology.

"The digital skills gap is getting wider, and we're well placed to solve the challenges it brings..."

For our **Workforce Learning** businesses, the findings confirm the themes that have led us to develop QA's blended learning and acquire Cloud Academy and Circus Street over the last few years. Indeed, when clients define their ideal solution it covers all the elements within the Group's three Learning businesses. They want the live learning and programme design expertise from QA, the digital platform to drive customisation, measurement and personalisation and progress tracking from Cloud Academy, and the engaging, gamified content and consultative client engagement model from Circus Street. Now is the time to bring these capabilities together in a more integrated offer. This is what we are calling our "North Star" strategy.

And we have an excellent team in place to ensure we deliver.

Katie Nykanen joined us as Group Chief Technical Officer ("CTO") to lead the integration of our businesses onto the Cloud Academy Platform. This work is well advanced with expected cost and functionality benefits to the group from FY23. Katie was CTO of Adstream (where she won Female CTO of the Year in 2019) and has excellent experience in delivering this change in a global, content-led business to business ("B2B") business.

Over in the United States, Ella Balagula joined us from General Assembly to become the new CEO of Cloud Academy, following a distinguished career in B2B education and Software as a Service ("SaaS"). Ella will be pushing out the capabilities of the Cloud Academy platform, in particular into skills measurement and learning personalisation – which we call the Skills Readiness Solution. This will be available to clients across all our businesses as they move onto the Cloud Academy platform.

Phil Jones has just joined us from Workday as Chief Client Officer, spearheading our client engagement with enterprise clients and major branches of government. We're delighted to bring Phil's expertise in working with leading HR Directors across global enterprises to continue to build our C-suite relationships, as well as deepening existing relationships with vendors and professional services to reach new clients.

Finally, Richard Townsend, the CEO and co-founder of Circus Street is leading the Group's content strategy in learning, ensuring that we co-ordinate and integrate our live and self-paced content and delivery between the three learning businesses and develop new, innovative content in a more coordinated and therefore efficient way across all of the Group.

Through these appointments I am confident we will make excellent progress delivering our strategic goals in this coming year.

As part of these moves Chief Client Officer, Stuart Martin and Cloud Academy founders Stefano Bellasio and Giacomo Marinangeli have chosen this time to find new opportunities. They all leave with our thanks and good wishes for their contributions to building the business.

We are also very excited about the future prospects of our **Higher Education ("HE")** business, under the leadership of CEO Simon Nelson. Simon was the founder of FutureLearn, having led the development of digital products at the BBC, and brings us a wealth of experience in both digital and blended delivery of content as well as detailed knowledge of the sector.

Simon undertook a strategic review of the HE business when he joined in September 2021. Research commissioned by QA and undertaken by EY Parthenon identified that HE's core markets – International and Domestic Branch Campuses and Pathways – remain attractive with further scope for growth and expansion. There are also attractive, adjacent markets where HE's core strengths and foundations can secure further growth.

International demand for pathways into UK Higher Education institutions, and for post-graduate study that can lead to post-study work visas, remains strong and HE was able to drive significant growth from an increasingly broad and diverse range of countries. We have also worked hard to scale our international recruitment, application management and compliance functions to ensure that we and our partners can more efficiently and effectively find and support the best international student talent.

HE's domestic market performance has been more volatile, with its historic success in attracting students from the EU living in the UK impacted by Brexit and Covid. Student volumes remained broadly in line with previous years but fell back on the very significant growth seen in 2020, the last period of the previous student funding arrangement for EU students. The market has now stabilised, and work done to broaden and diversify our agent network and marketing channels.

We have also initiated product development work to identify and target new segments in the broader UK undergraduate market, building upon HE's core strengths of flexibility, focus on employability and extending online and blended learning capabilities.

Finally, HE has worked hard to support its rapid growth in student numbers by scaling our student facing services and infrastructure, while continuing to innovate in new ways to support students of all backgrounds and deliver employability skills and opportunities to those studying with us. This continues to be a strong area of focus so that HE can support its partners to recruit, teach and support an incredibly diverse student body from all over the UK and the rest of the world.

CONCLUSION AND OUTLOOK

As I have set out, QA enters its new financial year with great momentum and exciting growth potential in its core UK market and through its growing presence in the US. The digital skills gap is getting wider, and we're well placed to solve the challenges it brings for businesses across the economy. That said, no business can be immune to the challenges of the current macroeconomic outlook and its potential impact on clients. As such we continue to prudently manage our cost base while making balanced investments to support our growth prospects. The pandemic has shown that we have a flexible business model that is adaptable to challenging economic conditions. Overall, we face the future with realism, but also confidence and optimism.

Paul Geddes
CEO, QA

2022 HIGHLIGHTS

WORKFORCE LEARNING

TOTAL LEARNING – THE VANGUARD OF BLENDED LEARNING

In October 2021, we launched QA Total Learning, creating a new blended learning product to offer increased choice of modality for our customers. The development combines digital and instructor-led capabilities from across the Group, underpinned by the Cloud Academy platform to create a new way to learn for our clients and learners.

Since launch, we have published 30 Total Learning titles. This first move into blended learning paves the way for further innovation in the coming year with client research continuing to validate blended as the future preference for the majority of L&D teams.

APPRENTICESHIPS SEE STRONG GROWTH

QA Apprenticeships saw strong growth in FY22 with over 4,700 starts, up 34% on FY21. We also reached the significant milestone of 35,000 apprentices on programme since the business launched in England and Scotland.

This year saw us continue to build on our position as market leader and provider of choice for vendor and cloud skills delivery via apprenticeships. In August 2021 we launched new Microsoft Azure Cloud Apprenticeship and Degree Apprenticeship programmes. This was followed by the launch of Microsoft Data apprenticeships in December 2021 and AWS Cloud apprenticeships in March 2022. These new programmes have seen huge success. The Microsoft Azure apprenticeship saw over 1,000 starts, establishing itself as one of the top five of all available tech apprenticeships in the UK, including much broader courses such as software development and data.

BOOTCAMPS

In June 2021, the Department for Education ("DfE") awarded us the contract to deliver a further wave of Government-funded skills Bootcamps. In total FY22 saw us train around 1,350 learners through intensive 10-week reskilling and upskilling programmes including new courses in Software, Cyber, Cloud, Data and DevOps.

The impact of the DfE bootcamps can't be understated. The first wave (reaching 700 learners) saw 84% going on to secure interviews for roles related to their training, with hundreds securing new roles in digital and technology.

Our bootcamps have huge potential to support the narrowing of the global skills gap by nurturing future tech talent and connecting it with businesses looking to build their capabilities.

CLOUD ACADEMY

Cloud Academy continued its high growth trajectory delivering a strong year with revenue growth exceeding 50%.

With proprietary research by Kaiser Associates showing 85% of IT executives report challenges filling open Cloud and Tech job roles and 79% unclear if their teams have the right skills in place to succeed, upskilling in cloud-related tech skills is the mission critical. Companies like Microsoft trust tech skills training of their 30,000 tech support employees to Cloud Academy and use our skills intelligence and analytics to do skills-based routing of their customer tech support cases.

Cloud Academy's solutions exhibit good customer stickiness with renewal and expansion spend from existing clients up over 25% in FY22. The team is also accelerating the growth of new business, fuelled by increasing the focus on key priority industries, establishing Key Account Management group with the focus on expanding and growing 100 strategic accounts, expanding our sales efforts in EMEA and deepening the channel partnership relationships with the cloud providers, such as AWS and Microsoft Azure.

CIRCUS STREET

FY22 was a positive first year in the QA Group for Circus Street with revenue 25% over it's prior financial year, as the team secured a number of new client deals.

In May, Circus Street were named the fifth best workplace in the world for innovators by Fast Company – the only member of the top five from outside the United States. This incredible achievement recognised their innovative virtual production software designed to deliver quicker, richer and more immersive virtual learning environments. This technology is now at the heart of a suite of new products for clients.

HIGHER EDUCATION

Higher Education had a highly successful 2022.

Although students from around the world have returned to university campuses post-pandemic, there has been a shift in student expectations of course delivery. In response to a clear long-term need for high-quality blended learning, HE developed a new model and rolled it out across a number of course portfolios in autumn 2021. The solution combined live online learning with face-to-face teaching, allowing students to balance studying alongside other commitments while building friendships and a community both online and on campus.

In response to emerging data and technology subjects and the changing global student market, 14 new programmes were launched in FY22. This included master's degrees in Big Data and Data Science Technology, Artificial Intelligence and Technology for Sustainable Cities.

A highlight of the year was the Public/Private Partnership award for QA and Northumbria University at the 2021 PIEoneer Awards. The award recognised the consistently high grades for learners and great levels of international student satisfaction at our London campus, which is home to 2,500 students from 113 countries.

SUPPORTING OUR EMPLOYEES AND COMMUNITIES

I'm proud of what we're doing for our people to continually develop a great workplace culture and promote equality, diversity and inclusion ("EDI"). Some of the highlights this year include establishing a Women's Network and offering additional wellbeing and financial support to our employees in response to the ongoing cost-of-living crisis. You can read more about this on pages 32 to 35. Elsewhere we continue to make strong ESG progress across the business and I'm pleased this has been recognised through an EcoVadis silver award – more on our commitment and the impact we have on the environment can be found on pages 38 and 39.

The work we do in our communities and the impact we're having goes from strength to strength and we've seen a number of new partnerships with direct connection to social mobility, diversity, the tech sector and future career success. Our people continue to go to impressive lengths in order to make a difference to organisations important to them – whether that's skills sharing, fundraising, or volunteering in another way.

Skills sharing is something we are incredibly proud of. While the past two years have brought challenges that few could have predicted, they have also brought opportunities to reach more people than ever with skills training. This year our free one-day Teach the Nation to Code ("TTNTC") workshops reached a huge and exciting milestone as we celebrated our 5000th learner. More information about TTNTC and our community investment on pages 44 and 45.

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:

59

as at August 2022 meaning over 90% of learners would recommend us (2021: 59) and having recovered following the disruption caused by the incident earlier in the financial year*.

REGULATORS

Ensuring national quality standards are met.

KPI

Ofsted Good Provider. Successfully QAA reviewed.

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

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

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

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

TO ENSURE WE ARE ATTRACTING AND RETAINING THE BEST TALENT

2,404

average employees (full time equivalent)
(2021: 1,936)

387

employee shareholders
(2021: 376)

23.2

our employee NPS has increased during the year
(2021: 20.5)

*see page 51

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 Philosophy, Politics and Economics 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.

THE EXECUTIVE LEADERSHIP TEAM

KATIE NYKANEN

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.

PHIL JONES

Chief Client Officer

APPOINTED: SEPTEMBER 2022

Phil joined QA as Chief Client Officer in September 2022.

Phil joins QA from Workday, following a distinguished enterprise sales career at leading technology organisations including Taleo and Oracle.

Joining Workday as an Account Executive, Phil was soon promoted to Sales Director for their Medium Enterprise business leading his team to achieve the Best International Team Award. He later moved to a role leading Sales Strategy & Operations, which included responsibility for driving sales execution and efficiency across the EMEA business. His most recent role was leader of Workday's customer base sales team.

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.

ELLA BALAGULA

President (Cloud Academy)

APPOINTED: JULY 2022

Ella joined QA as President of Cloud Academy in July 2022.

Ella has a 25+ year career in the EdTech and SaaS space, serving a wide variety of B2B customers.

Prior to QA, Ella was President and GM of the Enterprise and Government business at General Assembly, a pioneer of the software bootcamp category. Before that, Ella was managing a portfolio of Education Publishing businesses at Wiley, with 1,500 global employees. There, she drove digital transformation and the turnaround of highly disrupted offerings and was named one of five leaders in education technology by ForbesWomen.

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 EdTech businesses in the corporate sector.

SIMON NELSON

CEO (HE)

APPOINTED: SEPTEMBER 2021

Simon joined QA in September 2021 as CEO HE.

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.

OUR PEOPLE

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

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

LEARNING AND DEVELOPMENT

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

We want everyone at QA to be their best and we actively encourage them to take advantage of the extensive training and development programmes we offer out to the market. As part of our benefits package, we also give all 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 current role – it is offered as an added benefit to encourage personal development.

CONTINUOUS PEOPLE DEVELOPMENT

Last year we launched our career framework which sets out 12 functional frameworks 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.

As part of our career development promise we offer a number of sessions for our people to

- Manage Your Career Workshop
- Future Leaders Development Programme
- Aspiring Team Leader Programme

We supported our 350+ managers with bespoke people manager workshops on continuous performance development and managing in a hybrid way.

To further support the framework and to help us be fairer and more transparent we've launched a new promotion policy to standardise our approach and ensure fairness of opportunity for all. In addition, this year we plan to introduce internal salary bands for all our job families, split by location. For every new hire, we will introduce a methodology to consciously prepare and present offers in line with our internal salary bands as well as their peers at the same level.

This will also make our pay review process more robust by giving us clarity on where people's current pay stands in relation to their role and level and in turn having a positive impact on our gender pay gap.

FAIRER AND MORE INCLUSIVE

This year extra effort has been put in to embed our equality, diversity and inclusivity strategy into learning and development to make sure we attract and retain the right talent.

We provide extra training for all people managers called Best Fit Selection – it's a mixture of digital and live training on inclusive recruitment practises. Before attending the live event, all people managers must complete e-learning modules on:

- Our competency framework and QA values
- Reviewing the job description, preparing for job analysis
- Inclusive shortlisting process
- The 9 protected characteristics
- STAR technique during interview
- Inclusive interviewing: rapport, listening, good questions
- Unconscious bias and how to minimise it

Once completed, people managers then take part in an all-day live event to practice what they've learned as well as live interviewing skills and techniques through role play.

Our second cohort of Leading Edge, our leadership development programme, is about to start. As part of the programme, we've included an Inclusive Leadership course. This course focuses on why diversity and inclusion matters - at the individual, group and organisation level and covers:

- What diversity and inclusion actually means
- The business case for D&I
- Case study – D&I in action
- The traits of inclusive leadership we can all strive to build

"I have learned so much during my apprenticeship, and have also gained exposure while on the job that has prepared me for my career in HR. Being able to earn money while learning so much has been great as it has meant I can be more independent and have more of a social life, as well as gain important knowledge from outside experiences to bring to the workplace and future roles."

Holly Stevens,
People Services Apprentice

There is also a complementary toolkit that covers micro-aggressions, biases, privilege and inclusive language.

INVESTING IN THE FUTURE OF OUR PEOPLE

During FY22 we invested in our people with 3,953 days of employee learning and development, this is in addition to over 7,000 hours of mandatory learning completed by all employees.

A business like ours relies almost exclusively on its people and we're lucky to attract some brilliant people to work for us. This year we continued to invest in new talent, hiring 1,305 new people into the business to better serve our clients. In addition to the new appointments, 246 of our people were promoted into a more senior role – 120 men and 126 women.

We now have over 2,900 employees (including part time and zero hours) - with an average tenure of over 3 years. The average tenure has decreased as the Group has grown its headcount by 17% during the year.

We know that hiring apprentices and other people into 'earn and learn' roles is a proven way to build a skilled talent pipeline – it's what we do.

In the last 12 months three QA employees completed their apprenticeship and 15 employees were newly enrolled to apprenticeship programmes – many of them are existing employees who are keen to develop their digital skills with our own QA tech apprenticeships. Most of our apprentices are completing our Level 3 Data technician and Information Communication technician apprenticeships as well as Level 4 Network Engineer programmes.

3,953

Total employee learning days

1,305

Total new hires

246

Employee promotions

DIVERSITY AND INCLUSION ("D&I")

We're committed to building a culture that promotes equality, diversity, and inclusion, and one that actively values differences. Our diversity makes us stronger – is one of our values and we recognise that people from different backgrounds and experiences can bring valuable insights to QA and enhance the way we work together.

Diversity and inclusion are not buzz words, they are an integral part of our brand values and life at QA and this year we have accelerated our work in this area and appointed a new executive sponsor, Katie Nykanen, Group CTO.

CONTINUED INVESTMENT AND EXPERT SUPPORT

As inclusion is vast and encompasses all aspects of the employee lifecycle, we continue to collaborate with leading D&I experts for consultancy advice to ensure we are maximising the impact of our actions at every stage of the journey. This collaborative approach ensures we are treating inclusion holistically and embedding inclusive practices in all aspects of QA life.

EXTENDING OUR REACH

With our size and reach, we have a responsibility to do far more than just raise awareness. Our objective is to drive change through our people by having meaningful impact on how people experience QA products and services, and how they engage within our workplace and with the business in general.

As a passionate educator, we care deeply about the principles of social value and inclusion. Whether that's enhancing social mobility through our early talent programmes or providing employment opportunities across social and geographical spaces, we deliver intrinsic social value as an integral part of our day-to-day work. Our responsibility is not just to those who work with us, but to the larger education industry in the technology space, the clients we serve, and the communities in which we operate.

MEANINGFUL IMPACT

We've made significant progress within EDI over the last year and embedding our EDI strategy into other areas of the employee lifecycle – including recruitment and learning and development. In the last 12 months we've delivered:

- Live and virtual forums, to celebrate black history and explore menopause in the workplace
- New employee-led networks including our Women's Network through the theme of 'Doing it all' which explored the pressures of managing a family and a career, imposter syndrome and other women topics
- Podcasts and vlogs to raise culture awareness and celebrate different faiths for Hanukkah and Ramadan
- A month-long Neurodiversity Tour – visiting every QA office to host a one-day workshop along with diagnosis assessment and further support
- We also attended our first PRIDE parade with colleagues from across the Group to celebrate the 50th anniversary of PRIDE in the UK.

"I applied to be a D&I champ as I have a firm belief that by working together and embracing our differences and talents, we can make QA a greater place to work, every single person contributes unique outlooks and skills that not only makes QA stronger, but also makes us stronger as individuals. Being a D&I champ has broadened my understanding of different cultures, religions, beliefs, and attributes that make us who we are, and I have become a better person."

Bryan O'Connor, D&I Champion, Principal Learning Technical Specialist for VMware, CompTIA, and Cloud Credential Council

ONGOING MONITORING

We've also started to capture more data than ever across the EDI spectrum. We compare our diversity data against the local communities in which we operate, analyse the data across our senior leader's group and people managers, and monitor representation across people metrics such as new hires and promotions. We've launched subsequent initiatives based on this data and are pleased to see that our gender pay gap has narrowed and representation improved across our middle and senior management for women.

We currently track data on the gender and ethnicity representation proportions of our middle management, senior management and executive populations. Our results show that our middle management population is the most diverse hierarchical sub-group within QA (Men 55% vs Women 45%, White 55% vs Ethnic Diverse 21%). Our senior management population is also fairly diverse compared to industry averages (Men 57% vs Women 43%, White 58% vs Ethnic Diverse 16%).

However, there is a steep drop off at Executive and Board level with underrepresentation in race and gender (78% Men, 100% White and 100% Men, 100% White respectively). With the right promotion and developmental practices, our mid to senior management diversity should feed through to our leadership.

CELEBRATING AND RECOGNISING SUCCESS

We recently achieved the Silver Standard in Clear Assured, a globally recognised inclusion standard, for our commitment to D&I. The Silver Standard reflects our commitment to continuously improve and create an inclusive experience for all employees, and shows D&I is embedded not only into day-to-day operations but also owned at a strategic level with long term objectives and measurement in place.

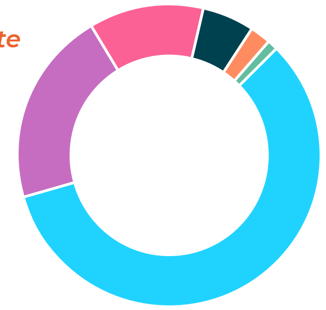
This year we also achieved several awards which highlight our EDI progress: number 34 in the Top 50 Inclusive Companies employers list, Gold Member of the 5% Club highlighting our commitment to emerging talent, Top Employer for Older Workers for WM People's 21 Awards and the Gold award in the Employer Defence Recognition Scheme.

We've also continued to publicly commit to several charters; Race at Work Charter, Disability Confident; Good Recruiter Charter and Tech Talent Charter.

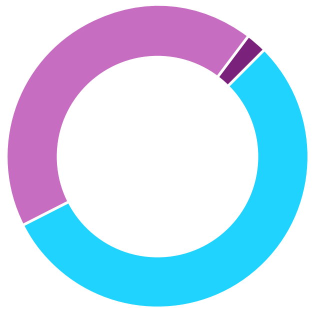
The above successes contributed to an impressive result in our recent engagement survey. We created an Inclusion Index that measured 6 dimensions of inclusion (authenticity, belongingness, group-decision making, fairness, psychological safety, team culture) and we scored 87% across the Group – circa 1,500 colleagues. The results suggest our work within EDI has positively contributed to our employees experience and we are successfully building an inclusive culture.

OUR DIVERSITY DATA AT A GLANCE*

- 55% of colleagues are *white*
- 21% are *ethnic diverse* (UK average - 14%)
- 11% *Asian*
- 5% *Black*
- 2% *Other*
- 1% *Mixed Ethnic*



- 55% of colleagues identify as *male*
- 43% 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.

ADDRESSING THE GENDER PAY GAP

Our aim is to pay people fairly for the work that they do and achieve as close to equal gender representation as possible across our Career Framework job levels. We will continue to focus on mitigating the factors that drive our gender pay gap by using evidence-based approaches and investing in relevant benchmarking tools.

This is our fourth Gender Pay Gap report and this year we've included our pay data from 2021, 2020 and 2019 to give a holistic account of our gender pay-gap over recent years. We have chosen to report 2021 data early to provide the most current position. Our calculations are based on pay data for more than 2,000 employees in April 2021, as required by the mandatory gender pay gap reporting regulations.

We removed all employees who did not receive full pay during the snapshot period. The data is taken from all of our diverse roles, at each job level, and the corresponding rates of pay.

We first report on QA UK Group as a whole to look at our organisation's pay disparity for all UK employees. Secondly, we report on the separate legal entities that make up the group: QA Limited and QA Higher Education Limited. Once complete we will publish our 2022 gender pay gap data. Our next Annual Report will include Cloud Academy and Circus Street.

QA UK GROUP

We continue to voluntarily report our collective Group gender pay gap data to show our overall position. The data for April 2021 refers to 2,047 employees, 901 female and 1,146 male.

QA

QA Limited consists of three business lines: Learning, Funded Learning and Talent, plus the associated central services teams. As a collective there are 1,438 employees and the gender break down was 579 females and 859 males.

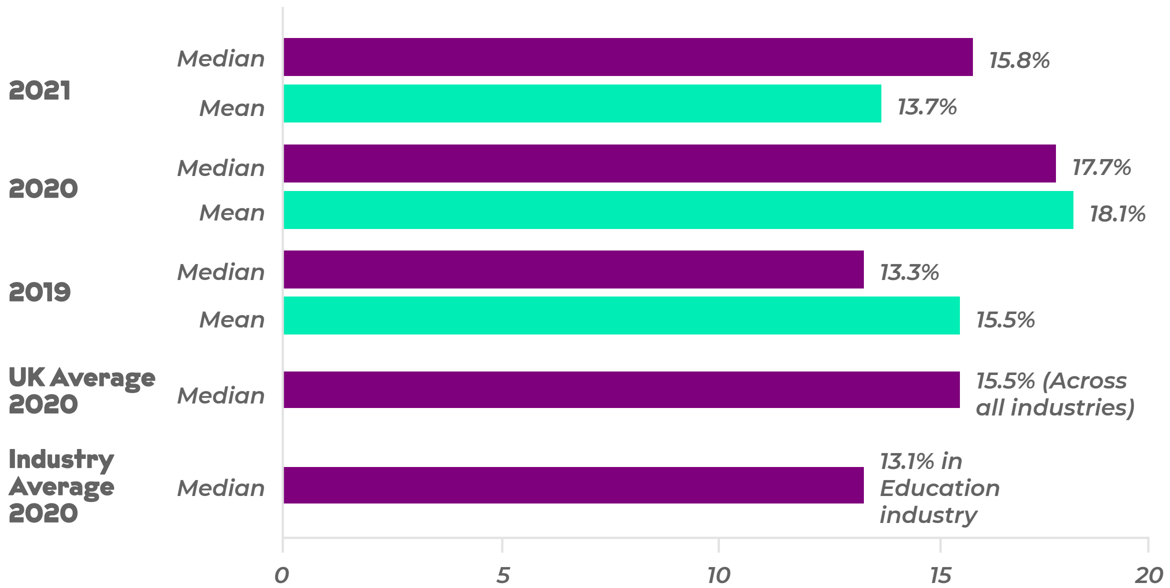
QA HIGHER EDUCATION

QA Higher Education Limited's gender proportion is fairly evenly distributed and the only business line where there is a majority of females. Out of 609 employees we have 322 females and 287 males.

"As a female from an ethnic minority background, a single parent and having spent a significant part of my previous career working in a male dominated industry, I found myself having to challenge cultural, religious and gender based bias. These experiences influenced me to drive positive change wherever I could and earlier this year I was given the opportunity to do just that by becoming a D&I Champion."

Happy Ullah
Client Relationship Director

PAY GAP – QA GROUP



% pay gap calculated in accordance with gender pay gap reporting requirements

GENDER SPLIT – QA GROUP

	2022			2021		
	Men	Woman	TOTAL	Men	Woman	TOTAL
Employees	1,711	1,248	**2,959**	1,383	1,041	**2,424**
Managers	202	196	**398**	177	171	**348**
Executive Leadership (excluding non-executive directors)	6	2	**8**	6	1	**7**

EMPLOYEE ENGAGEMENT

The engagement of our employees is central to everything we do - we want all our people to have a great experience at QA – to love working here and to have a positive relationship with their role and team, the leadership and the overall culture.

COMMUNICATION AND COMMUNITIES

We use a combination of communication channels, platforms, and techniques to ensure our people feel engaged, informed and connected. This year we launched a new intranet platform which balance both people and business focused news and has been a key channel to help shape our D&I communities and wellbeing initiatives. The Executive team continue to 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 Executive team also host regular Senior Leadership Group (SLG) calls which are more collaborative in their nature and are used to cover key issues or people initiatives. The sessions ensure management buy-in, along with consistency in the way managers were communicating with and running their teams.

LOOKING AFTER OUR PEOPLE

Engagement has a positive relationship with wellbeing, productivity, and performance – all more important than ever in today's workplace. This year we've also responded to the ongoing cost-of-living crisis and provided extra wellbeing and financial support for our people. We explored a number of options and worked with our employee partners to provide a fair support package which would have immediate and meaningful impact. During our pay review process, we committed to a guaranteed pay increase for lower role jobs to provide some reassurance to those employees. We also provided extra temporary allowances to offset the NI increase. In addition, and in response to the increased fuel costs we provided extra support with monthly fuel allowance payments, plus an interest free and delayed payback energy support loan available to everyone. In addition, we continue to promote cost-saving benefits like our season ticket loans, cycle to work scheme and benefits hub – which provides everyday discounts, from food shopping to travel and holidays. All employees have access to our Employee Assistance Programme, should they need extra support and advice.

PULSE SURVEYS

We continue to seek employee feedback to measure employee engagement levels and we do this through short and regular pulse surveys, allowing us to measure in the moment – for example, our most recent pulse survey explored the impact our hybrid working arrangement has had on employee engagement. The benefit of this approach is that we can measure the effectiveness of our actions over time – capitalising on things that are working well and focusing on areas which need a bit more attention.

Over the past 12 months the pulse survey identified several areas of improvement based on feedback from our people. We then focused our efforts in the areas and delivered various initiatives across the Group important to our people.

"Being part of the EPF brought me closer to the business, my EPF colleagues and to the wider employee community. I heard first-hand what was important to both the business and the employees and was able to contribute to the betterment of both. "

Sean Carvin Employee Partner,
Principal Technical Learning Specialist

Recognition – reward and recognition needed to have greater impact and to reach more people. QA Spirit enabled us to do this, and our recognition programme was brought to life through regular communications and events throughout the year – celebrating and recognising our values.

Wellbeing – we were encouraged to find that our people felt comfortable talking about their wellbeing with their managers and since then, we have continued our efforts to raise awareness and provide support through various Group-wide activities and events – including a live mental wellbeing talk with mental health ambassador Danny Wilshire and dedicated activity and resources to support "Menopause at Work".

Manager Training – we have created a portfolio of learning programmes for our manager community to provide support, build confidence and improve capabilities.

Diversity Training – our D&I Champions have created a D&I training session for all employees covering key topics of EDI to support the work they are doing.

Women's Engagement – we identified that women's engagement dropped year-on-year, so we established our Women's Network.

Gender Pay Gap – we published our internal narrative report to show our gaps and confirm our plans to close them. Our attention will now turn to our Ethnicity Pay Gap report.

EMPLOYEE NET PROMOTER SCORE

One of the ways we measure our employee engagement is through our eNPS which captures engagement and loyalty at QA. Most importantly, the eNPS captures an employee's likelihood of recommending their employer as a place to work to others. It is an effective way to benchmark ourselves against the market and our previous results.

Research shows that an eNPS above 0 is acceptable, anything above 10 is 'good' and 30+ is 'market leading'.

December 2019: The results of our first survey revealed an acceptable eNPS score of 9.7. After analysing the results, we identified several key areas to improve such as career development and our company purpose.

December 2020: eNPS rose to 17.5 suggesting that the experience of working at QA was improving. This time, we focused on our leadership communications and recognition.

June 21: eNPS continued to make positive progress improving to 20.5. Following this survey, we focused on D&I and worked to better embed several key initiatives such as Compass – our people management platform.

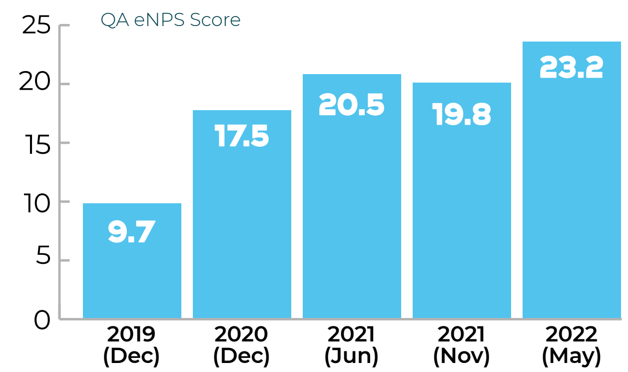
December 2021: eNPS continued to be in the "good" bracket but declined to 19.8. There was a clear need to focus our efforts on local action plans and less on Group-wide matters.

May 2022: eNPS rose significantly to 23.2 our highest level to date – but not yet at the "30" score we are seeking. Importantly participation levels also increased with over 75% of employees completing the survey. Other key findings included a strong Inclusion Index score of 86.5 (suggesting that we enjoy an inclusive culture at QA), an eNPS increase from our female employees for the first time since 2019, a significant increase in score for our non-binary population and the important learning that introducing flexible working patterns has had a positive impact on teamwork, culture, career development and wellbeing.

We also capture the eNPS for each of our business units which are shared with people managers and leaders. The eNPS, survey results and free-text comments are then explored together to generate actionable learnings.

"I'm glad to play a role in helping to shape the organisation's responsibility for the wellbeing and working practices of the employee community and getting to meet with the leadership team on a regular basis."

Glenis Wade, Employee Partner,
Senior Lecturer



REWARD AND RECOGNITION

QA's values play a significant role in employee performance conversations and evaluations and ensure we are all clear on the attributes we value highly in our people. Employees are rewarded based on objectives that specifically align to the QA Spirit values, behaviours and the Group's mission. Performance and recognition is continuously tracked in Compass, our employee management system, and all employees are encouraged to give peer-to-peer feedback recognising QA-Spirit-aligned behaviours.

QA SPIRIT

Following the launch of QA Spirit - the values and behaviours that we expect our employees to live by to successfully achieve our mission – we held the first QA Spirit Awards. The year-long recognition programme culminates in an annual awards celebration – recognising and rewarding individuals and teams whose achievements and contributions are standout examples of 'living the QA Spirit'. Throughout the year we received over 5,000 peer-to-peer nominations and following a tough executive judging panel we celebrated more than 500 individuals each quarter. From these quarterly winners we selected the "best of the best" and invited 150 QA Spirit finalists to the awards celebration culminating in our 24 QA Spirit Award Winners.

Our Club 110 programme continues to celebrate the success and contribution of our salespeople. It rewards those that outperform their annual target by more than 110%. This year 90 salespeople qualified for the trip and headed to Barcelona to celebrate.

PAY AND BENEFITS

As well as our recognition programmes, we also regularly review and benchmark our salaries to make sure that we reward our people fairly. We value our people and their contribution to our business and this is reflected in their salaries and and benefits. 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 and aligned to the QA Spirit.

CORE BENEFITS

As part of our standard rewards package our people receive core benefits such as life assurance, competitive holiday entitlement and a SMART pension plan with QA contributing up to 3%. As part of our core benefits review this year we made some changes to our holiday entitlement, providing extra increases based on length of services, enhanced our sickness policy and also extended our Medicash benefit to all employees.

LIFESTYLE BENEFITS

We also offer a range of flexible benefits including our holiday buying scheme and fitness and wellbeing benefits like Gympass, season travel ticket loans and a cycle to work scheme. We regularly review our rewards package to make sure we offer benefits to match the interests and lifestyles of our people – so this year we are introducing two new benefits which both benefit our people and the planet – a tech and gadget buying scheme and an electric vehicle scheme.

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 SILVER AWARD

We are delighted that the progress being made on ESG across the business has been recognised through an EcoVadis silver award. The award recognises QA as being in the top 25% of assessed businesses for sustainability management.

RECYCLING

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

- 120 trees
- 16.1 cubed metre of waste
- 30,000 Kwh
- 4,000 kg CO2 and
- 226,000 litres of water

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.

This year we've donated approximately £40,000 worth of equipment and furniture to schools and charities across the UK, including those supporting the Ukraine Disaster Fund.

Some of the schools and charities befitting from the donations include:

- Greenside Primary School
- St Andrew First School
- West Cheltenham Parish Church
- Hessilhead Wildlife Rescue
- Cheadle Hulme High School
- Wakefield Girls High School
- Trio Foundation in Ghana
- British Red Cross
- Charles Dickens School
- Carrington School (Surrey)
- Barnardo's
- Liberty Tuition
- Finchale Training

CARBON REPORTING

We have produced our third carbon report in accordance with the SECR guidelines. As the energy intensity from our business is low, we believe there is minimal direct 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 and are working with Inspired Energy a leading sustainability consultancy to achieve this. Through FY23, we plan to develop our Science-Based Target (Global Framework for Net-Zero reporting) as well as interim targets to help us stay on track to reaching our Net-Zero goal. 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 so that energy indirectly purchased is also from renewable generation. We have further reduced our office footprint as we have further developed virtual classroom delivery methods which impacts the amount of classrooms required as well as a reduction in travel for our delegates.

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 Trio Bridge Foundation providing them with resources to continue to support educational facilities in Ghana, with the added benefit that the equipment was not sent to landfill. To support our sustainability journey we provide all of our people with Environmental Awareness Training.

We are proud to say we achieved 100% verifiable data coverage of our carbon emissions, with no estimations required (2021: 96.2%).

Our Scope 1 and 3 direct emissions (combustion of natural gas and transport) increased by 79% to 211 tCO2e, (FY21: 118) resulting from the direct combustion of 670 MWh of fuel (FY21: 620), although this is 70% below the peak reported in FY20. The increase in the year was driven by the return of business travel following the lifting of the Covid restrictions.

Scope 2 indirect emissions (purchased electricity) increased by 6% to 655 tCO2e (FY21: 620), resulting from the consumption of 3,084 MWh (FY21: 2,658) of electricity purchased and consumed in day-to-day business operations. Overall usage increased as Covid restrictions being lifted resulted in greater classroom use during the year.

Our operations have an intensity metric of 2.8 kgCO2e per ft squared for this reporting year (FY21: 1.9). The current year intensity ratio increased as business travel returned following the lifting of Covid restrictions. However, this is still 40% below that reported in FY20.

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.

These full year estimations were applied to two electricity supplies for the Group. Intensity metrics have been calculated utilising the FY22 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 2022, total venue space was 315,000 sq foot (FY21: 364,000).

UTILITY AND SCOPE	FY22 UK CONSUMPTION		FY21 UK CONSUMPTION	
	MWh	tCO_2e	MWh	tCO_2e
Grid-Supplied Electricity (Scope 2)	3,084	655	2,658	620
Gaseous and other fuels (Scope 1)	670	123	537	99
Transportation	380	88	83	19
Total	**4,134**	**866**	**3,278**	**738**

MAKING A DIFFERENCE AT QA

Over the last 12 months we have continued to embed sustainability initiatives across the Group to have a greater and longer-lasting impact to the lives of the communities we live and work. Our approach to substantiality is making sure we put our people, customers, and stakeholders (including regulators, partners, and suppliers) at the heart of everything we do.

In today's world, our strategy is constantly evolving so we can deliver on our social and environmental commitments, so we use The United Nations Sustainable Development Goals ("UNSDGs") to help us focus and broaden our impact by aligning our business and strategy to some of the 17 UNSDGs goals. The aim is to achieve a better and more sustainable future for everyone, addressing global issues including fighting gender inequality, tackling climate change and providing life-long education and learning for all.

Our efforts have targeted three of the UNSDGs goals:

GOAL 4: QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

The Teach the Nation to Code workshops are specifically designed to help everyone to develop the essential skills needed within the technology world – from programming and cloud technologies to DevOps and data management. The workshops are delivered by our industry experts in a way that is easy to understand, regardless of background and level of experience.

Our apprenticeship programmes continue to bridge the UK's digital skills gap through upskilling and reskilling and providing life-long learning opportunities. As an alternative way to learn our early careers activity and outreach with schools and charities seeks to inspire the next generation of tech professionals.

GOAL 5: GENDER EQUALITY

Achieve gender equality and empower all women and girls

We're committed to diversity and social mobility and care a lot about diversity and inclusion in tech and digital. We work with organisations that support diverse talent, including Code First: Girls, Stemettes, Tech Talent Charter and Young Professionals, to promote the inclusion of all genders, races, abilities and social backgrounds in our programmes.

Our middle management population is the most diverse hierarchical sub-group within QA (Men 55% vs Women 45%). Our senior management population is also fairly diverse compared to industry averages (Men 57% vs Women 43%) and we will continue to improve gender representation and associated pay across the group through our recruitment and promotion processes.

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

GOAL 8: DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

As a proud signatory of the Armed Forces Covenant, we pledge to create a working place that is inclusive of all those within the military family, including an employee military community of support and 10 days' paid leave for reservist activities each year. Armed Forces personnel are entitled to ELC funding for resettlement training.

Our Resettlement Team support ex Armed Forces Personal with their resettlement journey from providing practical and current advice on which careers and qualifications are in demand to helping apply for the ELC credits.

Our Return, (Re)Train programme is designed for those returning to work – either after a career break - helping to find a fulfilling job that's flexible and works for them or coming back after parental leave. The programme helps returners refresh skills and develop new ones.

All our people also benefit from access to three days of free training per year in any subject area they choose and are able to pick this from our catalogue of public schedule programmes. These training days can be completely unconnected to our people's role – it is offered as an added benefit to encourage personal development.

We believe everyone should be able to be themselves at work.

We want all of our people to love working for us. A big part of realising that ambition is ensuring that all employees understand the contribution they make to the business in achieving its professional, social and financial objectives. Our people policies are regularly reviewed and benchmarked to make sure we are doing more than that is need required by law.

We work to promote and ensure equal opportunities for all our employees and job applicants irrespective of race (including colour, nationality and ethnic and national origins), religion, belief, gender, marital or civil partnership status, sex or sexual orientation or age. The Group values the individual contribution of all its employees and prospective employees from all sectors of the community. We recognise our social and moral duty to employ people with disabilities and applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

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

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

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

COMMUNITY INVESTMENT

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

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

COMMUNITY INVESTMENT

It is important to the entire QA team that we support local communities – especially those close to where we live and work. We achieve this through investment, partnerships, and fundraising.

This year we have continued to partner with Barnardo's supporting its work to help vulnerable young people thrive in the digital world. 16 to 24-year-olds are suffering the biggest drop in employment compared with other age groups with over a third of post-secondary school young people saying they are not learning any new digital skills. Barnardo's Employment, Training & Skills ("ETS") services 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.

We have raised over £10,000 through various group and individual fundraising events, including the London Marathon, Loch Lomond Hill Walk, a week-long Go Green initiative, which saw our people across the group take part in a variety of fun challenges as well as creating a charity calendar by our photography club. In addition to fundraising, we continued to work with Barnardo's to deliver TTNTC workshops for the young people they support and the charity's staff. We also supported the Barnardo's team with use of our London offices and facilities throughout to accommodate flexible working, meetings, and events.

VOLUNTEERING AND FUNDRAISING

As well as Barnardo's, national fundraising events continue to play an important part of our community calendar and are very popular and well supported by our people. This year we supported Macmillan Coffee Morning, Children in Need and the Poppy Appeal. To help us achieve this, our charity champions – made up of employee volunteers – drive regional and local activities in each of our centres.

All employees can boost their fundraising efforts through our charity matching scheme – matching pound for pound the amount raised up to £250 per employee for a charity or good cause of their choice – in the last 12 months we have matched over £9,000, supporting over 25 individual charities across the UK.

Our people are also given two days a year volunteering benefit – giving them the chance to volunteer their time or to share a skill as an individual or team. Four members of our Product and Proposition team took the day out to support Wiltshire Air Ambulance (WAA) – a charity which responds to emergencies passed on from the NHS and operate solely on volunteering and donations.

Vicky Hudson, Senior Curriculum Manager, swapped the office for the woods and used her charity days to support The Conservation Volunteers (TCV). TCV connect people and green spaces to deliver lasting impact in the community by protecting nature, but it was a win-win for Vicky as the volunteering experience also had a positive impact on her wellbeing – allowing her to take the time away from the office, connect with new people and give back!

We continue to support and invest in our local communities through the donation of surplus technology equipment and furnishings. Further afield, through our partnership with Camara Education, we have donated over 1,500 monitors and 500 computers to schools in Africa since 2018.

> *"It was such a fantastic day volunteering for the Wiltshire Air Ambulance - we learnt so much about the great work that they do. We get 2 volunteer days working for QA and I would really encourage everyone to use these. Not only was it rewarding to be able to support a local charity that saves lives and does a tremendous amount for its local community, it was also a brilliant team building and team bonding day"*
>
> ***Aniqah Mela, Head of Product and Propositions***

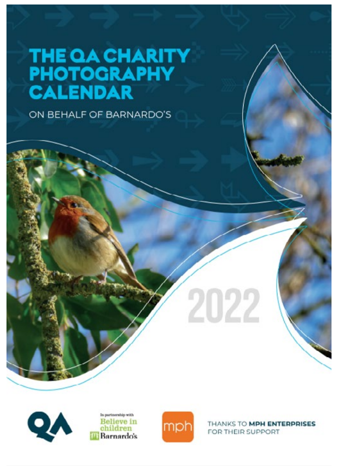
We encourage our people to support communities and charities close to their heart – to make a difference and have meaningful impact. Long-serving QA employee, George Noi-Lartey, Principle Technical Learning Specialist, has worked tirelessly to support The TRIO Bridge Foundation in Ghana over the years providing much-needed equipment to help continue providing medical and education services, develop skills and improve efficiencies in schools and hospitals. Our last donation of technology equipment and furniture travelled over 2,400 nautical miles! In recognition of his charity work George was nominated by the Ghana High Commission and invited to Buckingham Palace to meet the now King Charles III and Queen Consort.

It is important to QA and its people that we support local communities – especially those close to where we live and work. In 2021, we established 'QA All-In: A Network for Change', which exclusively focuses on Employability and Social Impact. This network links together over 100 different social enterprises and partner organisations driven to better serve local communities by creating new progression routes into employment, particularly for under-represented groups. We are incredibly proud of our commitment to diversity and social mobility – supporting incredible talent into tech.

We work with a number of organisations to ensure greater diversity in our apprenticeship, skills bootcamps, and TTNTC activities. Current partnerships include STEMettes (an award-winning social enterprise), Barnardo's (ETS services), Young Professionals (schools/colleges to work enterprise), Coding Black Females (tech inspiration community), CODEFIRST: Girls (tech inspiration community), Catch22 (schools' alternative enterprise), and Action for Autism (not-for-profit organisation and career enablers), Aspire For Her and TAP Project (global social inclusion).

TEACH THE NATION TO CODE

In the last 12 months our TTNTC events led by John Gordon and Shafeeq Muhammed 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. Over the last year TTNTC expanded its workshop topics to include "Teach the Nation to Cloud". Since its launch over 5,000 have attended, and we are grateful to CVC for their continued support of this initiative.



CFO STATEMENT

2022 was a record year for the Group as all operations delivered strong revenue and EBITDA growth. Revenue increased by 24% to £318.1m* (2021: £255.5m), with Adjusted EBITDA growth of 33% to £71.5m (2021: £53.9m). Continued investment in higher growth digital operations resulted in the Adjusted EBITDA margin improving to 22.5% (2021: 21.2%). With operating cashflows improving on the prior year at £63.9m (2021: £58.1m) the Group repaid the remaining £15m on its revolving credit facility that had been drawn down conservatively at the start of the pandemic and continued to strengthen its digital capabilities both through acquisition, with its investment in Circus Street, and organically via increased product and content development.

TRADING PERFOMANCE

Table 1 below sets out the Group's summary income statement for the year ended 31 May 2022 ("2022") and compares it to the year ended 31 May 2021 ("2021"). 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.

Revenue increased by 24% to £318.1m with proforma revenue (adjusting for the acquisition of Circus Street) up 20%. Workforce Learning services to enterprise clients accounted for approximately 70% of Group revenue and increased by a reported 25% in 2022. There was strong growth in digital instructor led training ("digital ILT") courses, digital subscriptions and funded learning programmes (encompassing apprenticeships and bootcamps). Digital ILT courses continued to recover post-pandemic with active client numbers increasing 21%. Digital subscriptions sold in year were up 23% to £33.0m, on a proforma basis, and lifted US client revenue to over 10% of learning revenue for the first time. Apprenticeships on programme grew 23% to 6,400 cementing UK market leadership in technology and digital programmes, alongside developing key technology skills for over 1,350 bootcamp attendees as part of the Government's initiative to develop new pathways into employment. Strong revenue growth continued in higher education with international student growth increasing the average number of undergraduate and postgraduate students by over 20% to 6,900.

Gross profit increased by 33% to £186.4m (2021: £140.0m) with margins improving from 55% to 59% as the contribution from higher margin activities including digital subscriptions and funded learning programmes increased in year. Included within gross profit is an insurance receipt of £2.8m to compensate for the temporary trading disruption during the cyber incident in late 2021. The Group also continues to benefit from a more efficient delivery model in digital ILT with virtual training at approximately 90% of courses delivered.

Operating expenses (being administration expenses before exceptional items and amortisation of acquired intangibles) increased to £132.4m (FY21: £103.6m) reflecting the continued investment to support growth in higher education and digital learning. Our average headcount (including trainers, tutors and coaches which are reported within Cost of sales) increased to 2,404 in 2022 (2021: 1,936). The transition to a digital first delivery model for all learning services has enabled the Group to continue to lower its fixed cost base with further property exits in-year removing 45,000 sq.ft from the learning network. These exits led to a Right of Use Assets impairment of £0.4m (2021: £3.0m) together with a £nil (2021: £1.7m) impairment of Leasehold Improvements. However, in-person learning remains core to the delivery of higher education programmes resulting in property investments to increase capacity in London, Birmingham and Manchester to support the strong growth in student numbers.

Adjusted EBITDA for the full year increased 33% to £71.5m (2021: £53.9m) with an Adjusted EBITDA margin of 22.5% (2021: 21.2%).

Table 1 : Financials

£'M	2022	2021
Revenue	318.1	255.5
Gross profit	186.4	140.0
Operating expenses	132.4	103.6
Adjusted EBITDA	71.5	53.9

* The trends discussed in this section are presented before adjusting revenue for the fair value of the deferred revenue acquired on acquisition of Circus Street. See note 2.

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 £54.8m (2021: £48.4m), 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 439,000 (2021: 281,000) benefiting from the acquisition of Circus Street and continued growth in learners on the Cloud Academy platform.

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 acquisition of Circus Street together with costs related to reducing the ongoing property costs. The Group continues to invest in its digital transformation activities and the leadership resources to support it (see Note 4).

As the Group has adopted IFRS 16, we present Adjusted EBITDA before deducting both the lease depreciation and lease interest expenses of £6.4m (2021: £7.1m) and £3.0m (2021: £2.8m) respectively in the year.

REPORTED RESULTS

On a reported basis for the year ended 31 May 2022, as set out on page 58, the Group had revenue of £315.7m (2021: £255.5m) with an operating loss of £9.7m (2021: loss of £39.6m).

The loss before tax for the year of £85.5m (2021: £113.3m) is arrived at after deducting net finance costs of £75.8m (2021: £73.7m), of which £18.6m (2021: £20.6m) is attributable to the Group's senior credit facilities of £320.0m and its revolving credit facility, with the balance arising on the Group's shareholder loan notes of £589.4m at year end (2021: £534.0m).

An impairment charge of £6.7m (2021: £30.1m) has been recognised as a result of the performance of the Talent business. The Group is now proposing to integrate its "recruit, train, deploy" talent solution into its, funded learning operations (given the synergy potential from near-identical delivery models) and cease the provision of its "recruit, train, transfer" talent offer. These proposals are currently subject to consultation. The Group has also incurred a further impairment expense of £0.4m (2021: £4.7m) in respect of fixed assets on the exit from properties that historically supported in-person learning and £1.2m (2021: £0.6m) in respect of its investment in Hong Kong.

The financial position of the Group is presented in the Consolidated Statement of Financial Position on page 59 with net liabilities of £549.3m (2021: £467.8m) at year end.

Table 2 : Key performance indicators

	2022	2021	2020
Revenue growth (£'m)	62.6	(15.1)	(3.2)
Adjusted EBITDA (£'m)	71.5	53.9	53.0
Free cash flow (£'m)	54.8	48.4	52.6
Learners (No.'000)	439	281	293

The Group is in a net liability position due to shareholder loans of £589.4m (2021: £534.0m), inclusive of the interest accruing on them, coupled with historical impairment charges of £220.8m. 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 a change in control of the Group.

Total assets at 31 May 2022 were £627.4m (2021: £635.1m) comprising intangible assets of £449.6m (2021: £449.0m), property, plant and equipment of £50.0m (2021: £58.6m), other non-current assets of £2.8m (2021: £4.1m) and current assets, including cash, of £125.0m (2021: £124.2m). The decrease in the assets of the Group has arisen due to the £15.0m repayment in year of the Group's borrowings under the revolving credit facility.

Total liabilities as at the balance sheet date of 31 May 2022 were £1,176.7m (2021: £1,102.9m) comprising of bank loans due over one year of £317.2m (2021: £315.6m), other non-current borrowings on £632.5m (2021: £584.0m), provisions of £6.3m (2021: £8.8m), deferred tax of £41.3m (2021: £46.3m) and other current liabilities of £179.4m (2021: £148.2m). The Group's other current liabilities increased by £31.2m as trade and other payables increased following the recovery in the Group's markets led by deferred income which increased by £24.5m. The Group's borrowings decreased by £15.0m as the revolving credit facility was repaid.

CAPITAL RESOURCES

Our primary sources of liquidity consist of cash, which amounted to £53.2m (2021: £75.1m) at year end, and available drawings of £65.0m under the Revolving Credit Facility (2021: £15.0m drawn/£50m un-drawn).

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 SONIA plus a margin of 4.75%. An interest rate cap is in place at 2.25%, effective for the period from February 2023 to June 2024, on £200m of the senior credit facility.

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 nil at the balance sheet date (2021: £15.0m). 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 SONIA plus a current margin of 3.50% 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 £63.9m (2021: £58.1m) in the year ended 31 May 2022. 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 £20.3m working capital inflow (2021: £15.0m). 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.

MATERIAL CONTRACTUAL COMMITMENTS

Table 4 (page 51), sets out the contractual commitments at 31 May 2022 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.

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.

APPROACH TO RISK

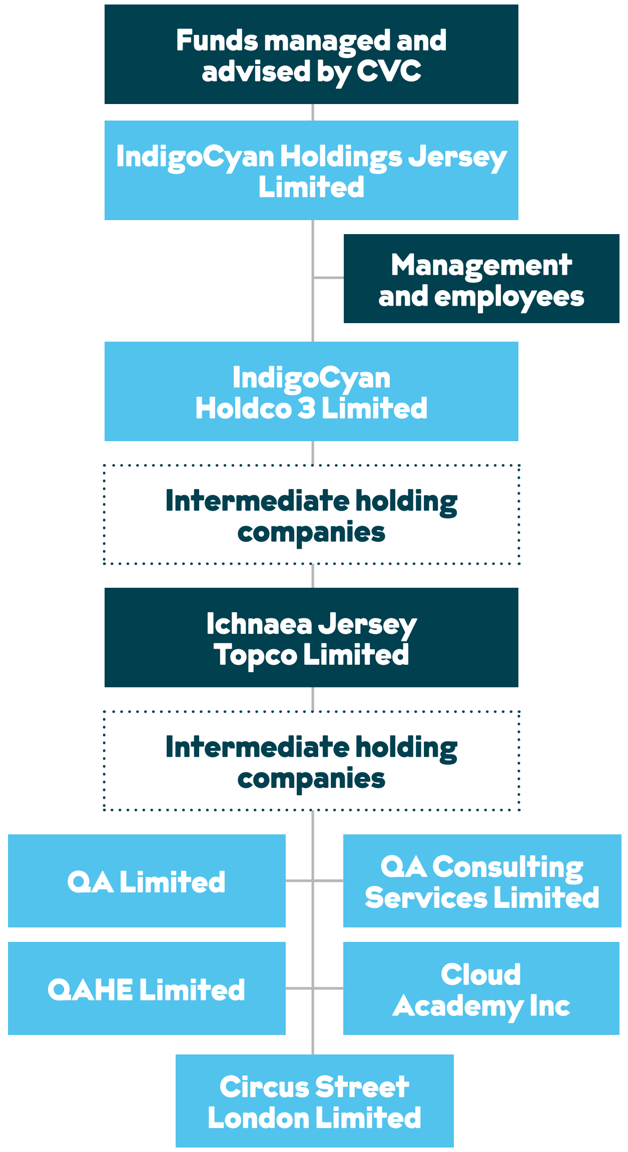
The Board has overall responsibility for ensuring risk is effectively managed across the Group, with a focus on evaluating the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives – its 'risk appetite'.

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 Risk Committee takes responsibility for overseeing the effectiveness of risk management and internal control systems.

IDENTIFYING AND MONITORING OF RISKS

The Board uses the Group 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.

The QA Group Structure



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

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.

Increased Risk ⇑

No Change In Risk ⇔

Reduced Risk ⇓

BUSINESS TRANSFORMATION AND CHANGE ⇔

The Group continues to modernize its products and operations through investing in its digital capabilities to improve and integrate its products and services, and ensure its systems can support growth. Our acquisitions have added new products that help clients develop their digital and data capabilities (Circus Street) and systematically assess, build and validate technology skills (Cloud Academy). We are integrating the Group's product and technology functions and investing in a roadmap to create a single platform that underpins the delivery of our learning services and products. Multiple strategic hires have been made to strengthen the team's capability to deliver this roadmap, with exciting progress evidenced to date.

COMPETITIVE RISK ⇑

The Group operates in a competitive market that has evolved rapidly since 2020 from traditional classroom-based learning providers to digital-first learning solutions. With post-pandemic home/office working patterns driving demand to digital/virtual consumption and removing the historic trading advantages of physical classroom locations in close-proximity to learners, there is a requirement to create new products that reflect the structural change in the market. To remain market-leading and stay competitive, through acquisition and organic investments, we continue to develop our client and learner platforms, build high quality engaging content, release new courses that blend digital self-paced and virtual instructor-led training, and launch market-leading offers e.g. vendor-branded apprenticeship programmes. Capital expenditure on product and content increased to £15.4m (2021: £10.5m) in 2022 adding new functionality, new learning pathways, and new content ranges. This investment is budgeted to increase in 2023. We regularly assess pricing to stay competitive in all our markets.

COMPLIANCE RISK ⇑

The continued growth in the number of clients, learners and students we serve across our learning and higher education activities requires ongoing investment in the compliance, legal and technology teams that perform process reviews and implement action plans to manage compliance and security risk across the Group.

These functions are critical to those activities (apprenticeships and higher education) where the provision of services is regulated, to ensure growth is well-managed and quality maintained, both in terms of services to clients and to meet the standards and reporting requirements set by regulatory and industry bodies.

Table 3 : Adjusting items

£'M	2022	2021
Adjusted EBITDA	**71.5**	**53.9**
Deferred revenue adjustment (note 2)	(2.4)	-
Depreciation and amortisation*	(50.7)	(47.8)
Impairment of Fixed Assets and Goodwill	(8.3)	(34.8)
Other Exceptional costs	(19.3)	(10.4)
Finance income	1.2	0.3
Finance cost	(77.0)	(74.0)
Share based payment cost	(0.5)	(0.5)
Loss for the for year before taxation	**(85.5)**	**(113.3)**

*Excludes £1.7m of depreciation on closed properties.

For example, in higher education our undergraduate programmes are externally accredited by the Quality Assurance Agency for Higher Education and in apprenticeships the standards set by OFSTED and the Department of Education must be met.

Our Health and Safety team recently gained accreditation for the new Health and Safety standard ISO45001, and re-certification of ISO 9001 (quality) and ISO 14001 (environment).

To maintain best practice 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.

CHANGES IN GOVERNMENT FUNDING/ REGULATION ⇔

The Group works extensively with government departments and public sector bodies and receives funding from the Department for Education and Skills Development Scotland for apprenticeships, and indirectly (via students) for its undergraduate programmes from the Higher Education Funding Council for England. As such there are significant contractual and regulatory obligations that the Group is required to meet at all times. Changes to government funding could have a material impact on the Group's services if new policies were to disrupt demand. The Group's executive, legal and compliance teams continually monitor for legislative or regulatory changes that could impact the Group's services and work to ensure that all changes are proactively implemented on a timely basis. The Group has also 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-pandemic and is actively involved in key initiatives to reskill and upskill technology and digital talent.

DATA GOVERNANCE, SECURITY, INFRASTRUCTURE AND SYSTEMS ⇔

There is significant legal, commercial, reputation, regulatory and financial risk from major IT system integrity or data security issues.

The Group's technology team is continually working across a wide range of system and data security projects to upscale cyber defence and response capabilities, implement advanced monitoring services, strengthen endpoint security standards, and invest in email, internet security and data management tools. We completed a National Cyber Security Centre IT Health Check (CHECK) audit of our Learning and Apprenticeship systems. 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 and availability of information processed. We have also been re-certified for Cyber Essentials Plus, which is the standard which aims to help organisations defend against the most common cyber-attacks, and for ISO27001 which is the international standard for managing information security. We continuously undertake a range of activities covering areas such as access reviews, vulnerability and penetration tests and have invested in market leading technology and monitoring services to support these activities.

Despite efforts to mitigate the security risk the Group had to work through the impact of a cyber incident in late 2021. 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 did not have a material impact on the Group's financial position.

Table 4 : Material Contractual Commitments

£'M	LESS THAN 1 YEAR	MORE THAN 1 YEAR	2022 TOTAL	2021 TOTAL
Senior debt facility	-	317.2	317.2	315.6
Revolving credit facility**	-	-	-	15.0
Lease commitments	5.4	43.1	48.5	57.0
Total	**5.4**	**360.3**	**365.7**	**387.6**

**£65m of the RCF remained undrawn at year end.

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 2022.

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

Richard Blackburn

Nathan Runnicles

Johanna Karhukorpi

James Culshaw

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 May 2022 (2021: nil).

POLITICAL DONATIONS

The Group did not make any political donations during the year (2021: nil).

EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible be identical with that of other employees.

EMPLOYEE INVOLVEMENT

The Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group.

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 2022 were equivalent to 52 days purchases (2021: 56 days).

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

There have been no events since the balance sheet date requiring disclosure.

GOING CONCERN

The Group's positive trading progress and balance sheet strength in the year ended 31 May 2022 has allowed the Group to repay the revolving credit facility in full and fund the £25m acquisition of Circus Street from cash reserves. At year end the Group had cash of £53.2m and access to an undrawn £65m revolving credit facility.

The forecasting process undertaken by the Directors recognises the inherent uncertainty of the current economic environment where inflationary and recessionary risks are heightened by the continuing war in Ukraine.

The Directors believe, given Group performance across the recent pandemic, that trading results will remain robust and that there are growth opportunities for the business to pursue. However, the Directors have assessed various revenue and cashflow scenarios that factor in the impact of an economic recession on the demand for the Group's services. 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).

The Group has funding arrangements with its banks, which include drawn term loans and an undrawn £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 2022.

Our governance is designed to ensure that we take into account the views of all our stakeholders, so that our decision-making is collaborative and well-informed – both before and after we make our decisions public.

We engage with our stakeholders as follows:

Customers - our ambition is to deliver best-in-class service our customers. We build strong lasting relationships with our customers and spend considerable time with them to understand their needs and views and listen to how we can improve our offer and service for them. We use this knowledge to inform our decision-making, for example to tailor our proposition to suit customer demands.

People - our people are key to our success, and we want them to be successful individually and as a team. There are many ways we engage with and listen to our people including colleague surveys, forums, listening groups, face-to-face briefings, internal communities, newsletters and through our anonymous colleague concern line. Key areas of focus include health and well-being, development opportunities, pay and benefits. Regular reports about what is important to our people are made to the Board ensuring consideration is given to our people's needs.

Shareholders - the Board aims to understand the views of its shareholders and always to act in their best interests. The Board engages with both CVC as majority shareholder and management shareholders throughout the year providing updates on trading performance. As part of these meetings shareholders are able to ask questions of the Directors.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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 September 2022

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OPINION

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 2022 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; and

- 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.

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with 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 September 2022

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2022

	NOTE	BEFORE EXCEPTIONAL ITEMS 2022 £'M	EXCEPTIONAL ITEMS 2022 £'M	TOTAL 2022 £'M	BEFORE EXCEPTIONAL ITEMS 2021 £'	EXCEPTIONAL ITEMS 2021 £'M	TOTAL 2021 £'M
Revenue	2	315.7	-	315.7	255.5	-	255.5
Cost of sales		(131.7)	-	(131.7)	(115.5)	-	(115.5)
Gross Profit		**184.0**	**-**	**184.0**	**140.0**	**-**	**140.0**
Administration expenses		(166.1)	(27.6)	(193.7)	(134.4)	(45.2)	(179.6)
Operating profit before amortisation of intangibles and exceptional items		51.6	-	51.6	36.4	-	36.4
Amortisation of acquired intangibles and goodwill		(33.7)	-	(33.7)	(30.8)	-	(30.8)
Impairment of goodwill, intangibles and investments	4	-	(7.9)	(7.9)	-	(30.1)	(30.1)
Impairment of property plant and equipment	4	-	(0.4)	(0.4)	-	(4.7)	(4.7)
Exceptional costs	4	-	(19.3)	(19.3)	-	(10.4)	(10.4)
Operating Profit / (Loss)	**3**	**17.9**	**(27.6)**	**(9.7)**	**5.6**	**(45.2)**	**(39.6)**
Finance income	6	1.2	-	1.2	0.3	-	0.3
Finance costs	6	(77.0)	-	(77.0)	(74.0)	-	(74.0)
Net finance costs		**(75.8)**	**-**	**(75.8)**	**(73.7)**	**-**	**(73.7)**
Loss Before Taxation		**(57.9)**	**(27.6)**	**(85.5)**	**(68.1)**	**(45.2)**	**(113.3)**
Taxation (charge) / credit	7			1.3			(4.5)
Loss For The Year				**(84.2)**			**(117.8)**
Loss Attributable to:							
Owners of the Company				(84.2)			(117.8)
Non-controlling interests				-			-
				(84.2)			**(117.8)**
Other Comprehensive Income:							
Items that may be subsequently reclassified to profit or loss:							
Loss for the year				(84.2)			(117.8)
Exchange differences on translation of foreign operations				0.1			(1.9)
Total Comprehensive Loss for the Year				**(84.1)**			**(119.7)**

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2022

	NOTE	2022 £'M	2021 £'M
Non-current assets			
Goodwill	9	253.9	242.0
Other intangible assets	12	195.7	206.2
Property, plant and equipment	13	50.0	58.6
Investment in associates	10	-	1.2
Deferred tax assets	21	2.8	2.9
		502.4	**510.9**
Current assets			
Inventories	14	0.1	0.1
Trade and other receivables	15	71.0	49.0
Derivative financial instruments	20	0.7	-
Cash and cash equivalents	16	53.2	75.1
		125.0	**124.2**
Total Assets		**627.4**	**635.1**
Current liabilities			
Loan and borrowings	18	(5.4)	(22.0)
Trade and other payables	17	(174.0)	(126.2)
Provision for liabilities	19	(2.5)	(2.1)
		(181.9)	**(150.3)**
Non-current liabilities			
Loan and borrowings	18	(949.7)	(899.6)
Provision for liabilities	19	(3.8)	(6.7)
Deferred tax	21	(41.3)	(46.3)
		(994.8)	**(952.6)**
Total Liabilities		**(1,176.7)**	**(1,102.9)**
Net Liabilities		**(549.3)**	**(467.8)**
Equity			
Share capital	22	1.0	1.0
Translation reserve		(1.4)	(1.5)
Share based payments reserve		4.4	1.8
Retained earnings		(553.3)	(469.1)
Equity attributable to owners of the Company		**(549.3)**	**(467.8)**
Non-controlling interests		-	-
Total Equity		**(549.3)**	**(467.8)**

The consolidated financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 30 September 2022. Signed on behalf of the Board of Directors by:

Nathan Runnicles, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2022

	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 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)**
Loss for Year	-	-	-	(84.2)	(84.2)	-	(84.2)
Other comprehensive income	-	0.1	-	-	0.1	-	0.1
Total Comprehensive Loss for the Year	**-**	**0.1**	**-**	**(84.2)**	**(84.1)**	**-**	**(84.1)**
Share based payment	-	-	2.6	-	2.6	-	2.6
As at 31 May 2022	**1.0**	**(1.4)**	**4.4**	**(553.3)**	**(549.3)**	**-**	**(549.3)**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2022

	NOTE	2022 £'M	2021 £'M
Net cash inflow from operating activities	29	**63.9**	**58.1**
Cash flows from financing activities			
Proceeds from additional debt		-	-
Repayment of debt		(15.0)	(50.0)
Repayment of lease liabilities		(8.3)	(5.3)
Interest paid		(16.9)	(20.6)
Net cash outflow from financing activities		**(40.2)**	**(75.9)**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(20.3)	(15.1)
Dividend from investment		0.2	0.6
Acquisition of subsidiaries, net of cash acquired		(26.0)	-
Interest received		0.5	0.1
Net cash outflow from investing activities		**(45.6)**	**(14.4)**
Decrease in cash and cash equivalents		**(21.9)**	**(32.2)**
Cash and cash equivalents, beginning of year		75.1	107.3
Cash and cash equivalents, end of year	16	**53.2**	**75.1**

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 2022. The Group has elected not to early adopt these standards which are described below:

- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16); and
- Annual Improvements to IFRS Standards 2018–2020.

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.

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

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 and Circus Street licenses are sold as 12-month non-cancellable license which allow the customer unrestricted use of the 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.

TALENT (FORMERLY CONSULTING)

There are two Talent services from which revenue is derived; Recruit, Train, Deploy ("RTD") and skills bootcamps. For RTD, 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 tech specialists, we also employ senior tech specialists to assist in the provision of consulting services.

The customers receive benefits from the consultancy services provided as the Group, via the consultant, 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.

TALENT (FORMERLY CONSULTING) (CONTINUED)

Under the skills bootcamp 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 skills bootcamp 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. Some of our customers take on our RTD tech specialists for which a transfer fee is paid. This is recognised upon transfer.

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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. Expenditure related to software as a service is expensed to the income statement as incurred.

TAXATION

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

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

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

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

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

INVENTORIES

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

INVESTMENTS IN ASSOCIATES

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

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. Finite-lived intangible assets are subsequently 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 platforms - 3 to 5 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.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022

DILAPIDATIONS

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances. Balances held with money market funds are presented as cash where their maturity is less than three months.

TRADE AND OTHER RECEIVABLES

Financial instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include trade and other receivables, bank balances and cash and loans to subsidiary undertakings, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

PENSION COSTS AND OTHER POSTRETIREMENT 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 of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-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 at 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

LEASES (CONTINUED)

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 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 recognises 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

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

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

Financial liabilities at FVTPL

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

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

However, for financial liabilities that are designated as at FVTPL, the amount of change 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 52.

EXCEPTIONAL ITEMS

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

EXCEPTIONAL ITEMS (CONTINUED)

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 of its operations 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. These one-off costs are significant in size and will not be incurred under the ongoing structure or operating model of the Group. In the prior year this included digital transformation costs.

Property and restructuring expenses

For the year ended 31 May 2022 property costs relate to the reduction of the Learning property footprint as the business model has evolved to being focussed on digital delivery following the Covid pandemic.

Apprenticeships profits attributable to discontinued products

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

Acquisition related costs

The Group has made a number of acquisitions over time. During the year the Group has incurred professional costs associated with the acquisition of Circus Street London Limited. In addition, the acquisition includes contingent consideration which is subject to ongoing employment obligations which results in the costs being recognised in the Consolidated Income Statement 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 business's performance.

Cyber related costs

During the year the Group suffered a cyber incident which resulted in costs of £1.9m (2021: nil) which at the balance sheet date had not been reimbursed by the Group's insurers. These one-off costs are significant in size and will not be incurred under the ongoing structure or operating model of the Group.

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 £1.0m (2021: £0.5m) of research and development expenditure.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Key sources of estimation uncertainty

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

Impairment of goodwill

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

The Group's impairment test for goodwill and intangible assets with indefinite useful lives is determined through a value in use calculation based on a discounted cash flow model. The cash flows are derived from the 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 inflation on the economic outlook.

The key assumption in the model is the operating cash flow growth rates. If they differ from forecast, then this could result in a material difference to the carrying value of goodwill. Further detail is disclosed in note 9.

Contingent consideration

The Group has a contingent consideration arrangement related to a put/call option over the remaining shares held by management in Circus Street London Limited which is based on the FY23 EBITDA performance of the business. The key assumption in deriving FY23 EBITDA is the revenue growth rate. There is significant uncertainty over the revenue growth that will be achieved. This is subject to the ability of the business to grow the sales pipeline and convert to contracted revenue. If this differs from forecast, then this could result in a material difference to the consideration payable. See note 17.

Critical accounting judgements

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

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 2022 unusual items included costs related to acquisitions and disposals and strategic reviews.

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 its 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.

Impairment of goodwill

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.

Minority interest

The Group owns 85.4% of the share capital of Circus Street London Limited. There is a put and call option over the remaining shares not held by the Group. These shares are held by the management team of the business. There are ongoing employment obligations linked to the ownership of the shares and therefore the Directors have taken the judgment that the Group effectively owns 100% of Circus Street London Limited. Accordingly, no minority interest has been recognised.

2. REVENUE

All revenue was primarily derived from sales in the United Kingdom and the United States of America ("USA") with a small proportion related to other territories. The Group's revenue is derived from the provision of services to customers. The following table shows the impact of the acquisition accounting adjustment of deferred revenue (i.e. the unwinding of fair value adjustment to acquired deferred revenue) on reported revenues.

	2022 £'M	2021 £'M
UK	297.2	247.2
USA	18.8	8.3
Other	2.1	-
Revenue before deferred income adjustment	**318.1**	**255.5**
Deferred income adjustment	(2.4)	-
Revenue	**315.7**	**255.5**

3. OPERATING PROFIT

Operating profit is stated after charging:	NOTE	2022 £'M	2021 £'M
Depreciation - owned assets	13	5.0	5.1
Depreciation - right of use assets	13	6.4	7.1
Amortisation of intangibles	12	41.0	35.6
Training materials	14	4.2	3.6
Staff costs	5	136.0	102.8
Exceptional items	4	27.6	45.2
Research costs		1.0	0.5
Insurance recoveries - cost of sales *		(2.8)	-
Insurance recoveries - adminstration expenses *		(1.6)	-

* The Group has incurred exceptional costs of £3.5m due to the cyber incident, £1.6m of which was reimbursed by the Group's insurers during the year. The exceptional charge of £1.9m as set out in note 4 is presented net of this recovery. In addition the Group received a payment on account of £2.8m from its insurers for business interuption (lost gross margin) suffered during the incident. The Group is continuing to work with its insurers to validate further parts of its claims, which if received will lead to a credit being recognised in the Consolidated Income Statement in FY23.

The analysis of auditor's remuneration is as follows:		
Subsidiary audit fees	0.3	0.2
Total audit fees	**0.3**	**0.2**
Taxation advisory services	0.1	0.1
Total non-audit fees	**0.1**	**0.1**

Fees for the audit of the Company for the year ended 31 May 2022 were less than £0.1m and this was also the case in the prior year ended 31 May 2021. Fees to the auditors for non-audit assurance services were less than £0.1m for the current and prior financial year. Fees to auditors for tax advisory services were less than £0.1m for the current and prior financial year.

4. EXCEPTIONAL COSTS

	2022 £'M	2021 £'M
Acquisitions and disposals	13.9	1.8
Strategic review and digital transformation	1.9	2.9
Property and restructuring expenses	0.3	5.6
Apprenticeships funding accounting and losses attributable to discontinued products	-	(0.7)
Cyber related costs	1.9	-
Organisational developments	1.3	-
Other specific items	-	0.8
Exceptional costs excluding impairment of goodwill, property, plant equipment	**19.3**	**10.4**
Impairment / accelerated depreciation of Right of Use Assets and Leasehold Improvements	0.4	4.7
Impairment of investments (note 10)	1.2	-
Impairment of intangibles (note 12)	1.6	-
Impairment of goodwill (note 9)	5.1	30.1
Total exceptional costs	**27.6**	**45.2**

Acquisition costs relates to the acquisition of Circus Street London Limited and in 2021 include Cloud Academy retention and integration incentives.

Following the changes in Group Exec strategic reviews have been performed with Blueridge, Pearson Hamm and EY Parthenon covering a review of the Group's technology infrastructure plans, pricing reviews and market assessments for Higher Education. The costs are considered to be exceptional because they are unusual and non-recurring.

During the prior year ended 31 May 2021 the Group expensed certain property related costs for properties that could not be used due to Covid restrictions. Further costs of £0.3m have been recognised in the current year as the Group has closed further properties as the business model has continued its transition to digital delivery.

During the prior year, the Group recognised a credit from the teach out of discontinued product for its apprenticeship programmes where the business has refocused instead on its core capability in technology.

The Group has incurred £1.9m of costs in the year related to the Cyber incident in September 2021. The Group expects that a portion of these will be reimbursed by insurers, however as this was not agreed at the balance sheet date this is not recognised as income.

Organisational development costs of £1.3m have been incurred in the year as a result of the changes made to the Group's Exec as set out on page 11 with costs including both recruitment and redundancy payments.

Impairment / accelerated depreciation includes nil (2021: £3.0m) relating to Right of Use Assets and £0.4m (2021: £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 £30.1m in 2021. A further impairment charge of £6.7m has been recognised in 2022 (see note 9). Further the Group's investment has been impaired by £1.2m (see note 10).

4. EXCEPTIONAL COSTS (CONTINUED)

Other specific costs include legal and professional and recruitment activities.

The Group has benefited from a tax credit of £1.8m in respect of the exceptional costs (2021: £2.1m).

5. STAFF COSTS

	2022 £'M	2021 £'M
Wages and salaries	120.4	91.5
Social security costs	12.0	8.4
Pension costs	3.6	2.9
Total staff costs	**136.0**	**102.8**

Staff costs include contingent consideration, redundancy and other exceptional costs of £8.7m (2021: £0.8m). See note 4 for further details.

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

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

	2022 NO.	2021 NO.
Learning, teaching and consulting services	946	921
Sales and administration	1,458	1,015
Total employees	**2,404**	**1,936**

Directors' Remuneration	2022 £'M	2021 £'M
Directors' emoluments	0.4	1.3
Directors' pension contributions to money purchase pension schemes	-	-
Total	**0.4**	**1.3**
Information regarding the highest paid Director is as follows:	**2022 £'M**	**2021 £'M**
Emoluments	0.4	0.6
Number of Directors accruing pension benefits:	**2022 NO.**	**2021 NO.**
Money purchase schemes	1	2

Total remuneration to key management personnel, including remuneration to Directors, is disclosed within note 28, Related Party Transactions. Director pension costs are less than £0.1m (2021: less than £0.1m).

Company

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

6. FINANCE INCOME AND COSTS

Finance Income:	2022 £'M	2021 £'M
Bank interest receivable	0.5	0.1
Fair value movement on derivatives*	0.7	0.2
Total interest receivable	**1.2**	**0.3**
Finance Costs:		
Bank loan interest	18.6	20.6
Interest on shareholder loan notes	55.4	50.2
Other interest	-	0.4
Interest on lease liability	3.0	2.8
Total interest payable	**77.0**	**74.0**

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

Derivatives are used as appropriate by the Group. There is a derivative asset of £0.7m in the Statement of Financial Position as at 31 May 2022 (2021: £nil). See note 20.

7. TAXATION

Analysis of the tax charge

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

Current Tax	2022 £'M	2021 £'M
UK corporation tax	5.6	1.3
Adjustment in respect of prior periods	0.9	0.6
Total	**6.5**	**1.9**
Deferred Tax		
Origination and reversal of timing differences	(6.1)	(5.8)
Adjustment in respect of prior periods	(0.2)	(0.1)
Effect of change of tax rates	(1.5)	8.5
Total	**(7.8)**	**2.6**
Tax on loss on ordinary activities	**(1.3)**	**4.5**

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:

	2022 £'M	2021 £'M
Loss before tax	(85.5)	(113.3)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%):	(16.2)	(21.5)
Effects of:		
Expenses not deductible for tax purposes (including interest)	17.8	14.9
Impairment of goodwill	1.0	5.7
Effect of overseas tax rates	(4.9)	(4.5)
Effect of changes in tax rate	(1.5)	8.5
Adjustment in respect of prior periods	0.7	0.4
Deferred tax not recognised	1.8	1.0
Tax on loss on ordinary activities	**(1.3)**	**4.5**

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 2022 were calculated at the rate at which the deferred tax is expected to unwind resulting in a credit of £7.8m (2021: 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 a credit of £1.5m (2021: charge of £8.5m). 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.

However, in the September 2022 Mini Budget it was announced that the increase to 25% would now not occur and the Corporation Tax rate would instead be held at 19%. This rate had not been substantively enacted at the balance sheet date, and as the result the Deferred Tax balances as at 31 May 2022 continue to be measured at the hybrid rates noted above. The estimated impact of the reversal of the Corporation Tax rate increase would be to reduce the Deferred Tax liability by £6.5m.

As at 31 May 2022 there were £9.8m of accumulated tax losses (2021: £6.4m).

8. DIVIDEND PAID AND PROPOSED

No dividends have been paid or proposed by the Group or the Company (2021: nil).

9. GOODWILL

Cost	£'M
At 31 May 2020	**457.2**
Exchange differences	(1.1)
At 31 May 2021	**456.1**
Arising on acquisition (note 11)	15.9
Exchange differences	1.1
At 31 May 2022	**473.1**

Impairment	
At 31 May 2020	**(184.0)**
Impairment losses for the year	(30.1)
At 31 May 2021	**(214.1)**
Impairment losses for the year	(5.1)
At 31 May 2022	**(219.2)**

Net Book Value	
At 31 May 2021	**242.0**
At 31 May 2022	**253.9**

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. During the year the business has reorganised its operations which resulted in transfers of goodwill between CGUs with Learning increasing by £3.4m, Apprenticeships by £24.3m, Higher Education decreasing by £22.9m and Talent decreasing by £5.8m. The comparatives below have been restated to reflect this change. The carrying value of goodwill is compared to its recoverable value:

	2022 £'M	2021 £'M
Learning	155.9	154.8
Apprenticeships	46.1	46.1
Higher Education	36.0	36.0
Circus Street	15.9	-
Talent	-	5.1
Total goodwill	**253.9**	**242.0**

9.GOODWILL (CONTINUED)

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 £5.1m (2021: £30.1m) arose from this review.

Recoverable amount of each CGU	2022 £'M	2021 £'M
Learning	457.4	431.0
Apprenticeships	150.2	101.7
Higher Education	229.8	308.3
Circus Street	77.9	-
Talent	-	22.1

The carrying values in disclosed for 2021 were based on the Group structure at that time. They have not been restated for the changes in operations made in the year.

Growth rates

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

Discount rates

The pre tax discount rate applied is 15.6% (2021: 13.1%). 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.

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 80.

9. GOODWILL (CONTINUED)

	GROWTH RATE		DISCOUNT RATE		CASHFLOW	
	+1%	-1%	+1%	-1%	+10%	-10%
Learning	53.7	(42.7)	(48.0)	60.5	45.7	(45.7)
Apprenticeships	17.3	(13.7)	(16.4)	20.7	15.0	(15.0)
Higher Education	28.1	(22.3)	(25.4)	32.1	23.0	(23.0)
Circus Street	10.7	(8.5)	(9.9)	12.6	7.8	(7.8)
Talent	n/a	n/a	n/a	n/a	n/a	n/a

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 2022 other than for Talent which has been impaired in full. Since the balance sheet date the Directors have determined that the underlying trade will be wound down with a new business model implemented, as set out on page 47. Since the balance sheet date the Directors have reorganised the Group into two business units being Workforce Learning and Higher Education.

10. INVESTMENTS

	INVESTMENTS IN ASSOCIATE £'M
Cost	
At 1 June 2020	1.9
Exchange movements	(0.1)
At 31 May 2021	**1.8**
Exchange movements	-
At 31 May 2022	**1.8**
Impairment	
At 31 May 2020	-
Impairment charge	0.6
At 31 May 2021	**0.6**
Impairment charge	1.2
At 31 May 2021	**1.8**
Net Book Value	
At 31 May 2021	**1.2**
At 31 May 2022	**-**

The Group's investment is in CPI Limited (Hong Kong) which is held through M2 Education (Hong Kong) Limited. In the year, the Group received dividends of £0.2m (2021: £0.6m) in respect of its investment in CPI Limited (Hong Kong) which reduced the future recoverable amount and resulted in the impairment charge being recognised. The Group has subsequently written down the value of the investment to nil reflecting the uncertainty over receipt of further dividends.

11. ACQUISITIONS

On 1 July 2021, the Group acquired 85.4% of the share capital of Circus Street London Limited, 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. Consideration includes cash consideration of £25.1m and the fair value of contingent consideration at the date of acquisition.

Contingent consideration of up to £9.0m, payable up to December 2021, the payment being contingent on property synergies being achieved. At acquisition the Group assessed the fair value of this consideration as being £3.5m with the subsequent change in fair value recognised in the Consolidated Income statement within exceptional items. This resulted in a payment of £9.0m being made with £5.5m recognised in exceptional items as the synergies were acheived in full.

The remaining shares in Circus Street are planned 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:

- 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. The contingent consideration is recognised in the Consolidated Income Statement as an employment cost as the earnout is subject to shareholders remaining as an employee of the Group and is considered to be a share based payment with the liability recognised in reserves. The cost is recognised over the employment period being 4 years with £1.9m recognised in the year ended 31 May 2022.

	FAIR VALUE £'M
Non-current assets	
Intangible assets	16.6
Tangible fixed assets	2.2
Deferred tax assets	0.9
Current assets	
Trade and other receivables	3.4
Cash and cash equivalents	2.6
Total assets	**25.7**
Current liabilities	
Lease liabilities	(2.1)
Trade and other payables	(2.2)
Deferred income	(4.9)
Non-current liabilities	
Deferred tax	(3.8)
Total liabilities	**(13.0)**
Net assets	**12.7**
Goodwill arising on acquisition	
Consideration	28.6
Net assets acquired	(12.7)
Goodwill	**15.9**

11. ACQUISITIONS (CONTINUED)

The fair value of the financial assets include receivables with a fair value of £3.4m and a gross contractual value of £2.4m. Deferred income has been valued taking account the remaining performance obligations. This resulted in an adjustment to lower the value of deferred income by £2.6m.

The goodwill arising from the acquisition consists of the value of the workforce in the business.

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.

Since the acquisition date Circus Street has generated revenue of £12.3m and £2.0m of profit before tax. If it had been owned for the full year it would have benefited revenues by £13.3m and profit before tax by £1.9m (by including the June 2021 results).

12. OTHER INTANGIBLE ASSETS

	CUSTOMER RELATIONSHIPS £'M	TRADENAME £'M	CONTENT AND MATERIALS £'M	SOFTWARE AND DEVELOPMENT COSTS £'M	TOTAL £'M
Cost					
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**
On acquisition of subsidiaries	6.3	1.7	8.6	-	16.6
Additions from development	-	-	-	15.4	15.4
Exchange differences	0.2	-	0.6	0.4	1.2
At 31 May 2022	**285.8**	**20.7**	**17.2**	**37.3**	**361.0**
Amortisation					
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
Exchange differences	0.1	-	-	-	0.1
At 31 May 2021	**101.0**	**3.9**	**6.4**	**10.3**	**121.6**
Charge for year	28.8	1.0	3.9	7.3	41.0
Impairment	-	1.6	-	-	1.6
Exchange differences	0.1	-	0.5	0.5	1.1
At 31 May 2022	**129.9**	**6.5**	**10.8**	**18.1**	**165.3**
Net Book Value					
At 31 May 2021	**178.3**	**15.1**	**1.6**	**11.2**	**206.2**
At 31 May 2022	**155.9**	**14.2**	**6.4**	**19.2**	**195.7**

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 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**
On acquisition of subsidiaries	2.1	-	0.1	2.2
Additions	1.0	1.6	3.3	5.9
Disposals	(9.1)	-	(0.2)	(9.3)
At 31 May 2022	**67.2**	**21.5**	**19.9**	**108.6**
Depreciation				
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**
Disposals	(4.2)	-	(0.2)	(4.4)
Charge for year	6.4	2.0	3.0	11.4
Impairment of assets	-	0.4	-	0.4
At 31 May 2022	**29.7**	**13.5**	**15.4**	**58.6**
Net Book Value				
At 31 May 2021	**45.7**	**8.8**	**4.1**	**58.6**
At 31 May 2022	**37.5**	**8.0**	**4.5**	**50.0**

During the year the Group has recognised a cost of £9.4m (2021: £9.9m) in respect of leases including depreciation of £6.4m (2021: £7.1m) and interest of £3.0m (2021: £2.8m).

14. INVENTORIES

	2022 £'M	2021 £'M
Training material and goods for resale	0.1	0.1

In 2022, training materials of £4.2m (2021: £3.6m) 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 (2021: £nil).

15. TRADE AND OTHER RECEIVABLES

	2022 £'M	2021 £'M
Amounts falling due within one year		
Trade receivables	46.6	29.6
Accrued income	12.7	10.4
Corporation tax	-	0.4
Prepayments	11.7	8.6
Total	**71.0**	**49.0**

No interest is charged on outstanding trade receivables. Trade receivables are stated after a provision of £7.6m (2021: £5.8m). Accrued incomes includes £2.2m (2021: £2.6m) of related party receivables (see note 28).

Trade Receivables

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, £1.7m (2021: £0.3m) 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 2022 £'M	LIFETIME ECL 2022 £'M	NET CARRYING AMOUNT 2022 £'M
Not past due	26.8	(0.1)	26.7
< 30 days past due	3.9	-	3.9
30 - 60 days past due	3.1	(0.1)	3.0
60 - 180 days past due	20.4	(7.4)	13.0
Total	**54.2**	**(7.6)**	**46.6**

	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**

16. CASH AND CASH EQUIVALENTS

	2022 £'M	2021 £'M
Cash at bank and in hand	53.2	75.1
Cash and cash equivalents in the statement of cash flows	**53.2**	**75.1**

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

	2022 £'M	2021 £'M
Amounts falling due within one year		
Trade payables	19.2	17.7
Social security and other taxes	8.7	7.2
Amounts owed to Group undertakings	3.8	3.7
Corporation tax	0.4	-
Other creditors	28.4	8.7
Accrued expenses	27.7	28.5
Deferred income	85.8	60.4
Total	**174.0**	**126.2**

Amounts owed to Group undertakings due within one year are repayable on demand and attract no interest. Other creditors includes £11.8m (2021: £3.0m) of payables to related parties. Accruals include £3.8m (2021: £2.7m) of payable to related parties. See note 28.

Other creditors includes £7.5m of contingent consideration in relation to the exercise of the put/call option over the remaining shares owned by management in Circus Street. The payment is contingent upon FY23 EBITDA performance. The contingent consideration is recognised in the Consolidated Income Statement as an employement cost as the earnout is subject to shareholders remaining as an employee of the Group. This is recognised over the employment period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022

18. LOAN AND BORROWINGS

	CURRENT 2022 £'M	NON-CURRENT 2022 £'M	TOTAL 2022 £'M	CURRENT 2021 £'M	NON-CURRENT 2021 £'M	TOTAL 2021 £'M
Bank loans	-	317.2	317.2	15.0	315.6	330.6
Shareholder loans	-	589.4	589.4	-	534.0	534.0
Lease liabilities	5.4	43.1	48.5	7.0	50.0	57.0
	5.4	**949.7**	**955.1**	**22.0**	**899.6**	**921.6**

Current bank loans represent a revolving credit facility, which is repayable within one year, and attracts interest at SONIA + 3.50% (2021: 3.75%). The facility is available until 2023. Non-current bank loans represent a term loan facility which is repayable in 2024, and attracts interest at SONIA + 4.75% (2021: 4.75%). Shareholder loans are repayable in 2047 and attract interest at a rate of 10.0% (2021: 10.0%). Included within shareholder loans is capitalised interest of £227.5m (2021: £172.1m). The bank loans are secured via a fixed and floating charge over all of the assets of the Group.

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

19. PROVISIONS

	2022 £'M	2021 £'M
Dilapidations		
At start of year	6.2	6.1
Utilised in the year	(0.5)	(0.1)
Recognised in the year	0.7	-
(Released)in the year	(1.6)	0.2
Unwind of discount on provision	0.1	-
Total	**4.9**	**6.2**
Onerous Contracts		
At start of year	2.5	0.8
Released in year	(0.1)	(0.7)
Utilised in the year	(2.4)	(0.3)
Recognised in the year	1.4	2.7
Total	**1.4**	**2.5**
Restructuring		
At start of year	0.1	3.7
Utilised in the year	(0.1)	(3.6)
Total	**-**	**0.1**
Current liabilities	2.5	2.1
Non-current liabilities	3.8	6.7
Total Provisions	**6.3**	**8.8**

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 included the provision for onerous customer contracts. The cash flows are expected to occur in between 1 and 3 years. The payments may vary depending on whether negotiated positions can be acheived with landlords. The range of outcomes is not expected to be material.

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

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 £'M	2021 £'M
Interest rate swap	0.7	-
Total	**0.7**	**-**

As at the balance sheet date of 31 May 2022, the value of the interest rate swap was £0.7m (2021: nil).

To reduce the interest rate risk of changes in SONIA the Group entered into a pay-fixed receive-floating interest rate swap. The swap's notional principal was £200.0m and it matures on 30 June 2024.

A credit of £0.7m (2021: £0.2m) is included within Finance Income for the year. See note 6 to the financial statements.

21. DEFERRED TAX

	2022 £'M	2021 £'M
Temporary differences	41.3	46.3
Net deferred tax liability	**41.3**	**46.3**
Movements in deferred tax liability		
Amounts brought forward	46.3	40.8
Arising on acquisition	3.8	-
Charge/(credit) for the year	(8.8)	2.6
Transfer to deferred tax assets	-	2.9
Balance at end of year-deferred tax liability	**41.3**	**46.3**
Amounts brought forward	2.9	-
Arising on acquisition	0.9	-
Charge/(credit) for the year	(1.0)	-
Transferred from deferred tax liabilities	-	2.9
Deferred tax assets	**2.8**	**2.9**

Deferred tax assets relate to fixed asset timing differences.

The Group has an unrecognised deferred tax asset of £2.2m (2021: £1.4m). The Group does not have any unrecognsied deferred tax liabilities. The income statement credit of £7.8m (2021: charge of £2.6m) arises because of a remeasurement of the deferred tax liabilities arising on intangibles credit of £8.7m (2021: charge of £8.5m) which in addition to the credit to the income statement in respect of fixed assets and short term timing differences of £1.1m, and adjustments in respect of prior years charge of £0.2m.

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 2021 and At 31 May 2022	**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 (2021: nil).

Share Based Payments

During to the year ended 31 May 2022, the Company issued 14,295 (2021: 21,580) shares to management. The shares vest upon change of control of the Group. The estimated value of the shares granted is £0.5m (2021: £0.6m).

This has resulted in a charge to the income statement in the year ended 31 May 2022 of £0.5m (2021: £0.5m) during the year.

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

GRANT DATE	2022 AWARDS	2021 AWARDS	2019 AWARDS	2018 AWARDS
Expected volatility	32.2%	31.8%	32.2%	30.3%
Expected term	4.0 years	3.0 years	3.2 years	3.9 years
Risk free rate	0.7%	0.2%	0.7%	0.3%
Dividend yield	0.0%	0.0%	0.0%	0.0%

22. CALLED UP SHARE CAPITAL (CONTINUED)

	SHARES 2022 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2022 £	SHARES 2021 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2021 £
Outstanding at beginning of year	8,830	-	13,834	-
Granted during the year	14,295	-	21,580	-
Forfeited during the year	(3,745)	-	-	-
Vested during the year	(12,274)	-	(26,584)	-
Expired during the year	-	-	-	-
Not vested at the end of the year	**7,106**	**-**	**8,830**	**-**
Vested at the end of the year	**52,044**	**-**	**54,750**	**-**

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.

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

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 £3.6m (2021: £2.9m) 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 £0.8m (2021: £0.6m).

25. FINANCIAL INSTRUMENTS

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

As at 31 May 2022 the Group's indebtedness amounted to £901.9m including lease liabiities (2021: £846.5m) of which £589.4m (2021: £534.0m) is shareholder loans.

LIQUIDITY RISK

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

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

CREDIT RISK

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

The Group's principal financial assets are bank balances and trade receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of provisions for doubtful debts. Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

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. The Group uses interest rate swaps to minimise its exposure to interest rate risks, details of the interest rate swap can be found in note 20.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

	2022 £'M	2021 £'M
Financial assets		
Amortised cost		
Cash and bank balances	53.2	75.1
Trade and other receivables	46.6	29.6
FVTPL		
Interest rate swaps	0.7	-
Financial liabilities		
Amortised cost		
Trade and other payables	67.8	51.9
Other financial liabilities measured at amortised cost (see note 18)	906.6	864.6
FVTPL		
Contingent consideration	7.5	-

26. CAPITAL COMMITMENTS

The Group has capital commitments of £0.6m (2021: £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 company. IndigoCyan Holding Jersey is controlled by funds managed by CVC Capital Partners VI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022

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 (2021: £0.1m) from Saltgate and a balance of £nil (2021: £nil) was due to Saltgate at the year end, and included in accruals.

CVC Credit Partners LLC ("CVC") is a related party by virtue of common ownership and control of the Group. Bank loans includes £6.4m (2021: £5.0m) of loans provided by funds controlled by CVC. Interest accrued on these loans in the year totalled £0.3m (2021: £0.2m).

The Company's immediate parent IndigoCyan Holdco 2 Limited has provided the Company with loans totalling £589.4m (2021: £534.0m). These loans accrued interest of £55.4m (2021: £50.2m) during the year. The Group's parent IndigoCyan Topco Limited has provided the Group with loans of £3.8m (2021: £3.7m). A loan of £0.1m was made during the year (2021: £0.3m).

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 £3.6m (2021: £1.4m) from these and made sales of £17.0m (2021: £11.8m). 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 £41.3m (2021: £41.8m) and at the balance sheet date the Group owed the partners £3.8m (2021: £5.5m).

Key management personnel are deemed to be the Directors and executive management Board. Remuneration for key management personnel is £3.3m (2021: £2.8m). Amounts payable to defined contribition schemes in respect of key management personnel are £0.1m (2021: £0.1m).

29. NET CASH FLOW FROM OPERATING ACTIVITIES

	2022 £'M	2021 £'M
Loss for the year	(84.2)	(117.8)
Adjustments for:		
Net finance costs	76.5	73.9
Fair value movement on derivatives	(0.7)	(0.2)
Depreciation	11.4	12.2
Amortisation of intangibles excluding software and development	33.7	30.8
Amortisation of intangibles relating to software and development	7.3	4.8
Restatement of intangibles-development costs	-	2.0
Impairment charges - Investments	1.2	-
Impairment charges - goodwill and intangibles	6.7	30.1
Impairment charges Right of Use Assets and Fixed Assets	0.4	4.7
Foreign exchange - goodwill and intangibles	(0.8)	-
Share based payments	2.6	-
Dividends received	(0.2)	-
Income tax	(1.3)	4.5
Decrease in provisions	(3.3)	(1.8)
Total	**133.5**	**161.0**
Changes in:		
Inventories	-	0.1
(Increase) in receivables	(19.4)	(10.2)
Increase in payables	39.7	25.1
Working capital movement	**20.3**	**15.0**
Taxation paid	(5.7)	0.1
Net cash inflow from operating activities	**63.9**	**58.1**

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 2021 £'M	FINANCING CASH FLOWS £'M	FAIR VALUE ADJUSTMENTS £'M	OTHER CHANGES* £'M	AT 31 MAY 2022 £'M
Bank loans	330.6	(15.0)	-	1.6	317.2
Shareholder loans	534.0	-	-	55.4	589.4
Lease liabilities	57.0	(8.3)	-	(0.4)	48.3
Interest rate swaps	-	-	(0.7)	-	0.7
Total	**921.6**	**(23.3)**	**(0.7)**	**56.6**	**954.2**

30. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date requiring disclosure.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2022

	NOTE	2022 £'M	2021 £'M
Assets			
Non-current Assets			
Investments	2	-	-
Trade and other receivables	3	835.8	863.1
		835.8	**863.1**
Current Assets			
Derivative financial instruments	5	0.7	-
		0.7	**-**
Total Assets		**836.5**	**863.1**
Liabilities			
Current Liabilities			
Loan and borrowings	6	-	(15.0)
Trade and other payables	4	(3.8)	(75.0)
		(3.8)	**(90.0)**
Non-current Liabilities			
Loan and borrowings	6	(906.6)	(849.6)
		(906.6)	**(849.6)**
Total Liabilities		**(910.4)**	**(939.6)**
NET ASSETS		**(73.9)**	**(76.5)**
Equity			
Share capital	7	1.0	1.0
Retained earnings		(74.9)	(77.5)
Total Equity		**(73.9)**	**(76.5)**

The Parent Company's profit for the financial year was £2.6m (2021: £130.2m). The financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 30 September 2022.

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 2022

	SHARE CAPITAL £'M	RETAINED EARNINGS £'M	TOTAL EQUITY £'M
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)**
Profit for the year	-	2.6	2.6
Total comprehensive income for the year	**-**	**2.6**	**2.6**
As at 31 May 2022	**1.0**	**(74.9)**	**(73.9)**

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 PREPARATION OF PARENT FINANCIAL STATEMENTS

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 2022, and the prior year comparative to 31 May 2021. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") as the Company is a qualifying entity.

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 (where required equivalent disclosures are given in the consolidated financial statements):

- 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 deconsolidated 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 critical accounting estimates 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 estimate of 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 71.

There are no further judgements 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 (2021: 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 2022 £'M	INVESTMENTS IN SUBSIDIARIES 2021 £'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)	(1.0)
Impairment charges	-	-
At the end of the year	**(1.0)**	**(1.0)**
Net Book Value	**-**	**-**

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%	Non-trading	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
Circus Street London Limited*	England and Wales	85.4%	Provision of on-line training services	Ordinary
Entities with registered office: 4th Floor, VC House, 4-6 Lan Street, Central, Hong Kong				
M2 Education (Hong Kong) Limited*#	Hong Kong	100%	Provision of higher education	Ordinary

2. INVESTMENTS (CONTINUED)

Name	Country of incorporation	Ownership	Principal activity	Class of holding
Entities with registered office: 1 Bluxome Street, San Francisco, CA 94107, United States of America				
QA USA, Inc*	United States of America	100%	Holding company	Ordinary
Cloud Academy Inc*	United States of America	100%	Provision of on-line training services	Ordinary
Entities with registered office: Via Penate 16, 6850 Mendrisio, Switzerland				
Cloud Academy Sagl*	Switzerland	100%	Software and content developer	Ordinary
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

3. TRADE AND OTHER RECEIVABLES

	2022 £'M	2021 £'M
Amounts falling due after one year:		
Loans to Group undertakings	835.8	863.1
Total	**835.8**	**863.1**

Loans to Group undertakings due after one year are repayable in 2047 and attract interest at a rate of 10.0% (2021: 10.0%).

During the year the Company has reassed the recoverability of the receivables which has led to £26.9m of interest earned in the year being recognised as an asset. In the prior year there was a reversal of the write down in the value of receivables of £148.5m.

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

	2022 £'M	2021 £'M
Amounts falling due within one year:		
Amounts owed to Group undertakings	3.8	74.6
Accruals	-	0.4
Total	**3.8**	**75.0**

Amounts owed to Group undertakings due within one year are repayable on demand. Of the balance £3.8m (2021: £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 2022

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:

	2022 £'M	2021 £'M
Interest rate swap	0.7	-
Total	**0.7**	**-**

To reduce the interest rate risk of changes in SONIA the Company has entered into a pay-fixed receive-floating interest rate swap. The swap's notional principal is £200.0m and it matures on 30 June 2024.

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 2022 £'M	NON-CURRENT 2022 £'M	TOTAL 2022 £'M	CURRENT 2021 £'M	NON-CURRENT 2021 £'M	TOTAL 2021 £'M
Bank loans	-	317.2	317.2	15.0	315.6	330.6
Shareholder loans	-	589.4	589.4	-	534.0	534.0
	-	**906.6**	**906.6**	**15.0**	**849.6**	**864.6**

Current bank loans represents a revolving credit facility, which is repayable within one year and attracts interest at SONIA + 3.50% (2021: 3.75%). The facility is available until 2023. Non-current bank loans represent a term loan facility, which is repayable in 2024 and attracts interest at SONIA + 4.75% (2021: 4.75%). Shareholder loans are repayable in 2047 and attract interest at a rate of 10.0% (2021: 10.0%). 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	2022 SHARES NO.	2022 SHARE CAPITAL £'M	2021 SHARES NO.	2021 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 (2021: 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 2022

8. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date requiring disclosure.

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

2022

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