POWERING
POTENTIAL

ANNUAL REPORT

2023

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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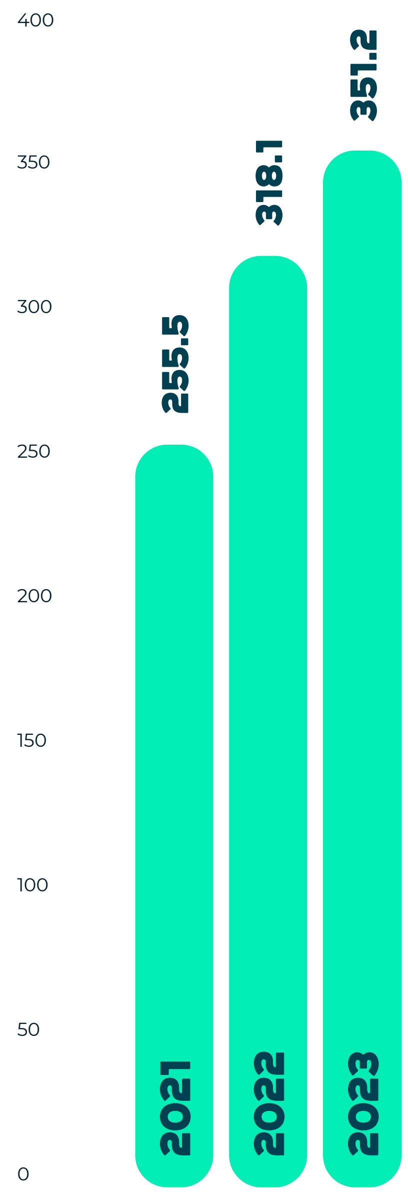
KEY HIGHLIGHTS

QA is a global technology and digital skills organisation. 2023 has been a year of good progress.

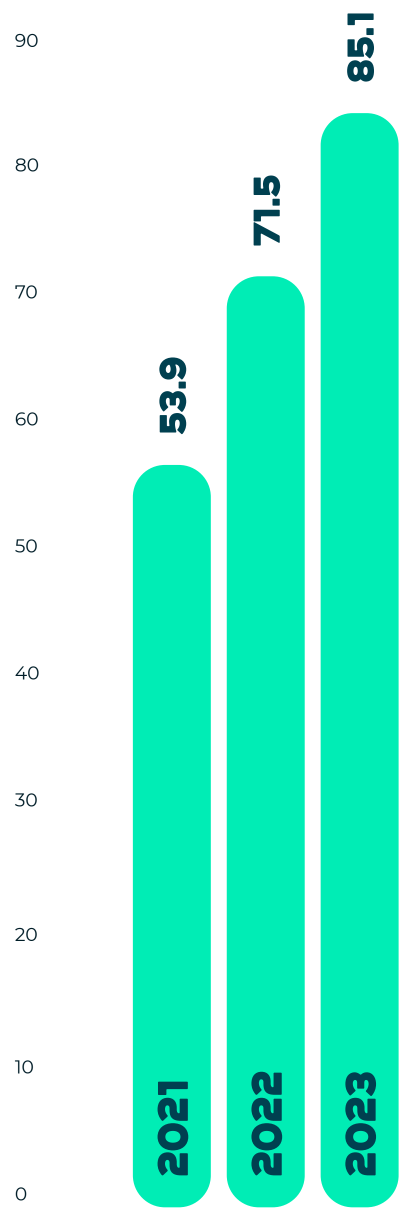
57%
increase in apprenticeship starts

10,000
higher education students taught

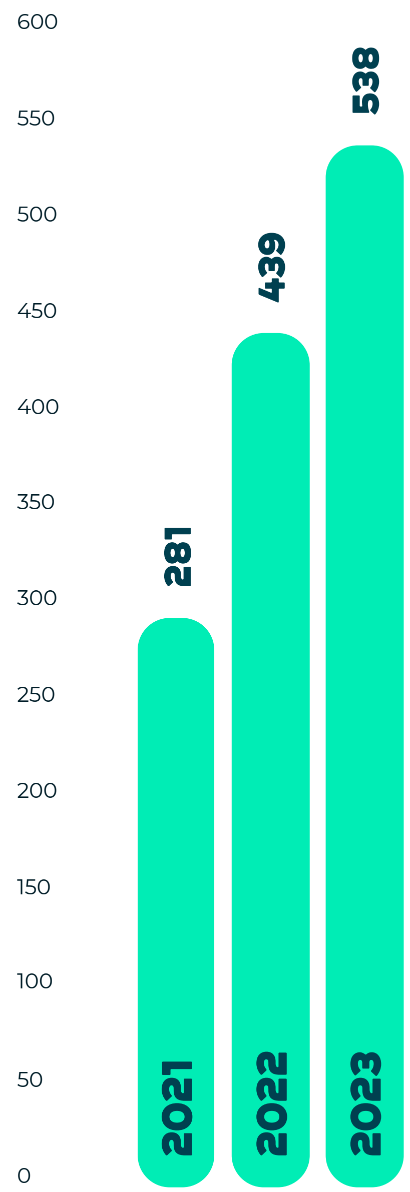
528,000
workforce learning learners



Revenue* (£'m)



Adjusted EBITDA** (£'m)



Learners ('000)

*Revenue is stated before the impact of the deferred revenue adjustment. See note 2.

**Table 1 (pg 48) and Table 3 (pg 52) 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 538,000 people learnt with QA last year. We deliver services to over 6,000 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 Cloud Solutions Partner - Training Services.. 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.

QA has two digital subscription platforms; Cloud Academy and Circus Street. Cloud Academy provides 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 tracks 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 allows clients to help their teams understand how technology is changing the relationship between businesses and their customers. Covering disciplines such as e-commerce, customer experience, data & targeting and digital marketing strategy, it recognises that these areas are changing at a rapid 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.

QA is the UK market leader in digital and technology apprenticeships, and has trained over 42,000 apprentices. 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.

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 7,600 students studying with us across 8 different teaching locations (including partner sites).

CHAIRMAN’S STATEMENT

FY23 has been a year of good progress. Revenues have grown, profits are up, and all our core businesses have seen encouraging growth. Behind the scenes we have continued to make important investments in developing the multi-modality learning platforms which underpin our businesses and in enhancing and creating new curriculum and content. We also made important changes to our leadership team to ensure we have the experience and focused leadership we need across Higher Education and Workforce Learning.

A STRONG YEAR

Off the back of a record year in FY22, QA continued to grow and perform well, delivering revenues of £351.2m (up 10.4%) and Adjusted EBITDA of £85.1m (up 19.0%) illustrating the continued demand for digital and tech skills and employment focused higher education.

This growth illustrates how effective our offerings are in market. Despite the tough economic conditions, our evolving products and services continue to meet the needs of our clients, learners and students.

WORKFORCE LEARNING

Drivers of Success

Developments in content, curriculum and delivery all played a key role in driving performance across Workforce Learning (WL).

For example, in February we launched our front-loaded apprenticeship programmes (where we deliver, via an intensive skills bootcamp, a high proportion of the practical content within the first 3 months). This programme is proving popular with many clients, as it enables entry-level talent to develop key skills more quickly.

In addition, our teams released hundreds of new features and learning paths on our digital subscription platforms – Cloud Academy and Circus Street – covering the latest topics from Amazon CloudFront and Microsoft Azure to Consumer Centricity and Performance Marketing. Plus our new AI-enabled Skills Readiness solution went live, providing users with a dynamic learning experience that adapts to their unique needs and skill levels. We are excited by the potential for AI in the business and are exploring its applications in areas including content creation, customer services and new products.

These developments helped to drive growth with existing digital subscriptions clients such as Coca Cola and JP Morgan, and to attract major new clients including Walmart and Verizon.

We also won some exciting client training contracts; including a multi-site tech academy delivery with BAE Systems, a large tech bootcamp delivery for NatWest Group and retained a key multi million pound Managed Learning Service contract with a large government body on a new multi-year contract.

In WL it was an award-winning year for us on a number of fronts with an EMEA Director’s Award win in August with RedHat which recognised our commitment to developing skilled RedHat professionals across Europe. This was quickly followed by a training partner of the year award win with EC Council in October. And, in November, we won the coveted Global AWS partner of the year award, which recognised QA’s position as the foremost AWS authorised training provider across EMEA. The significance of these and other ‘wins’ like it, is that they power our strategy to globalise our partnerships; working with partners like AWS to take our products and services out to international markets.

> **“We delivered revenues up 10.4% and Adjusted EBITDA up 19.0%, illustrating the continued demand for digital and tech skills and employment focused higher education”**

Building Future Growth

We see significant potential for Workforce Learning’s growth. Global businesses spent $1.9 trillion on digital transformation in 2022, with most of this focused on tech enablement and tech integration. But, according to McKinsey, 70% of digital transformation projects fail. And a lack of skilled people is the main reason for this – including resistance to change, a lack digital skills, a lack of understanding of the requirements of digital transformation and a lack of digitally-skilled workers entering the workforce.

We are well placed to address all of these issues and to benefit from the sustained growth in demand we expect for our services.

With our live-to-online training delivery, we are one of the leading talent and training brands. By deepening our relationships with existing customers in the US and Europe and embracing self-serve capabilities to streamline and improve our service to SME clients, we will continue to deliver growth in this core part of our business.

And we see significant potential to develop our fast-growing apprenticeship business. Apprenticeships remain firmly on the agenda for both UK political parties and the levy-funding on offer here provides attractive pathways for employers to develop their employees’ skills, especially in technology and programme management. While the levy scheme has been subject to some criticism in the media - across the technology, data and digital programmes we support, the market opportunity has grown by 34% since 2018, which highlights the important role in early career talent development that Apprenticeships are playing in closing the digital skills gap.

Our digital subscription brands; Cloud Academy and Circus Street, continue to expand their presence with enterprise clients achieving strong growth over the last year. They both serve large, global addressable markets, with superior products, and are now offering new products that draw on QA's live learning capabilities.

This combination of Cloud Academy and Circus Street's complementary product and service offerings, with the existing strengths in QA, was an important part of the rationale for the acquisitions – together with establishing WL in the US market. With both live and blended learning products recently launched in the US we continue to broaden our offer to enterprise clients and create exciting growth potential. With these market-leading capabilities, in instructor-led training, learning platforms and personalised learner experience, we are embedding quality content in a blended learner journey; delivering the flexibility of self-paced video content and the human element of a traditional classroom, to better serve our enterprise clients.

HIGHER EDUCATION

Drivers of success

In Higher Education (HE), we saw another strong commercial performance, driven by significant developments across our content, course curriculum and partnerships; all building on our mission to continue to transform access to education for learners around the world.

For our HE offer to remain compelling in an increasingly competitive market, developing our course portfolio in a way that meets the needs of students and their future employers has been a key strategic focus. As such, we have developed and launched a new BSc Computing portfolio, in partnership with Northumbria University, that equips students with in-demand IT, data science, cyber security and AI skills. We also launched three new pre-Masters level 7 programmes (also with Northumbria) aimed at International students wishing to develop their English language skills and develop expertise in Business, Computing or Engineering. We have also worked to design and launch an International Medical Foundation Diploma with Northumbria. Students who successfully complete the course are then eligible to apply for St George's University 5-year Medical Degree Pathway, with the option to study in London or Grenada. These developments have all been key to broadening the diversity of our curriculum and the skills we therefore develop in our students.

> **"I am immensely proud of the QA Group's performance over the past 12 months and the hard work of all of our people."**

We have also been developing and testing new digital approaches to teaching and learning, with a focus on the employability of our students. We want to be at the forefront of flexibility and employability for students. To do this we have created blended programmes that allow students to access their learning in the way that suits them best and also embeds the development of their digital and professional skills. We showcased this approach at the Digital Universities UK Conference where it was enthusiastically received for its innovative response to a challenge facing many institutions. The pilot programme was immediately more than two times oversubscribed. Looking ahead to the next 12 months we will be extending this approach and including it as part of our wider portfolio.

The continued strength of our University partnerships has also been a key driver of performance. This year we laid the foundations for new partnerships, such as with St Mary's, where our online pre-sessional English qualification is now accepted, as well as strengthening other existing partnerships. These include the launch of eight new undergraduate programmes in London, with Northumbria (named the University of the Year 2022), and diversifying enrolment by nationality for our Pathway course with University of South Wales (USW). Our work with Ulster was nominated for the "Public-Private" Partnership of the year. Importantly we also have new agreements with Ulster University and Northumbria University, both of whom are ranked in the Top 50 UK institutions. Our contract with Ulster now runs to 2033 and we have agreed to extend with Northumbria to 2036. Both are for Domestic and International students for Undergraduate and Postgraduate study. Our contract with Roehampton is now focused on recruitment and degree apprenticeships.

Furthermore, we have scaled our student-facing services and infrastructure to support the rapid growth in student numbers, recognising that continued investment in the student experience is vital to progress in student outcomes. We have spent much of this year preparing for the opening of a new campus in Birmingham and have made significant progress in planning for how we can elevate the campus experience for our London-based students. We have also invested heavily in our technical infrastructure to improve the experience of prospective and enrolled students. As such, we continue to innovate in ways that cater to students of all backgrounds, providing employability skills and opportunities.

Building future growth

I am enthusiastic about the continued growth of our HE business. HE's core markets, including International and Domestic Branch Campuses, and Pathways, hold strong growth potential. We are currently working with our University partners on programmes that can meet the evolving demand profile in the markets we serve.

Despite the potential for regulatory headwinds, we are confident in our differentiated offer into new addressable markets and have a clear ambition to diversify our international student recruitment and to reinvigorate our approach to attracting domestic students, particularly through direct recruitment. We've taken proactive measures to enhance our international recruitment, application management, and compliance functions, ensuring efficient and effective support for international student talent.

This focus enables HE to assist its partners in recruiting, teaching, and supporting a diverse student body from across the UK and the world. A student recently described their experience of studying with us as "enlightening, challenging... and very supportive". By providing an education that delivers on those three things, our HE business will continue to thrive and ensure the success of many more students to come.

BOLSTERING OUR LEADERSHIP TEAMS

We also made some important changes to strengthen leadership and accountability for each of our two main areas of business – WL and HE – with the appointment of a CEO for each reporting to a leaner Group organisation. As part of these changes, Paul Geddes, formerly Group CEO, stepped down from his role to pursue a new challenge. I want to take this opportunity to thank Paul for his leadership of QA since 2019.

Our Higher Education business continues to be led by Simon Nelson who joined in September 2021. In October 2022, Rich Townsend, co-founder and CEO of Circus Street, was appointed as CEO for Workforce Learning. Both leaders are experts in their fields with proven success growing and scaling digital learning businesses and are supported by best-in-class leadership teams combining decades of experience.

The changes in WL have already led to closer integration between QA and the acquired Cloud Academy and Circus Street businesses. Integrated technology, product and back-office teams are now supporting WL and we are already seeing the significant potential in aligned sales, customer success and marketing teams working with clients to introduce the breadth of learning products and services that span our technology, product and marketing portfolios.

OUTLOOK

I am proud of our performance over the past 12 months. We have delivered skills solutions to thousands of enterprises and individuals, working with some of the world's largest corporations and in partnership with government departments and some of the best performing universities in the UK. Looking ahead we see sustained growth in demand for the skills, qualifications and competencies needed by individual learners and companies to succeed in an increasingly digitally enabled world. We also understand that there may be macroeconomic challenges for our customers and our Group and as such we continue to prudently manage our cost base while making balanced investments to support our growth prospects. Across the Group we are well positioned to grow our business, serving the market demand with new solutions and better delivery.

Charlie Mayfield

SIR CHARLIE MAYFIELD
Chairman

KEY PERFORMANCE INDICATORS

We have a number of KPIs as follows:

REVENUE GROWTH RATE

Growth in revenue demonstrates the increased demand for our programmes and courses.

ADJUSTED EBITDA MARGIN

Growth in Adjusted EBITDA margin reflects the ability to drive delivery and operational efficiency.

PERCENTAGE GROWTH IN LEARNERS

Growth in learner volumes demonstrates the demand for our learning products from our Workforce Learning customers. Learners are defined as the number of individuals taught in the year.

ADJUSTED EBITDA GROWTH RATE

Growth in Adjusted EBITDA demonstrates the profitable return from our products, programmes and courses.

PERCENTAGE GROWTH IN TOTAL STUDENTS

The total number of students taught through our higher education business.

FREE CASHFLOW

Cashflow growth represents our ability to generate cash returns after investingin the assets (e.g. product, content and leases) that support our products, programmes and courses.

AVERAGE LEARNER NET PROMOTER SCORE (NPS)

Excellent learner experiences mean that our Workforce Learning customers are more likely to recommend and rebook with us in the future.

10.4%

REVENUE GROWTH RATE

The Group has seen revenue grow by 10.4% (2022: 24.5%) with strong growth in higher education.

19.0%

ADJUSTED EBITDA GROWTH RATE

The Group has seen Adjusted EBITDA grow by 19.0% to £85.1m.

1.7%

IMPROVEMENT IN ADJUSTED EBITDA MARGIN

The Group's Adjusted EBITDA margin has increased from 22.5% to 24.2%.

30.0%

PERCENTAGE GROWTH IN TOTAL STUDENTS

The Group's higher education total students have grown by 3.000 (2022: 1,000) to 10,000 (2022: 7,000) as the Group has seen student demand increase.

22.2%

PERCENTAGE GROWTH IN LEARNERS

The Group's Workforce Learning learners have grown by 96,000 (2022: 158,000) to 528,000 (2022: 432,000) as the Group has seen learner demand increase notably in Cloud Academy and Circus Street. The growth rate is lower than in the prior year which had benefited from the acquisition of Circus Street.

£83.5m

FREE CASHFLOW

Free cashflow increased by 48% to £83.5m (2022: £56.3m) largely due to favourable working capital movements in FY23.

59

AVERAGE LEARNER NET PROMOTER SCORE (NPS)

Meaning over 90% of Workforce Learning learners would recoomend us (2022: 59).

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.

RICHARD TOWNSEND

CEO Workforce Learning

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 founded Circus Street, which he later pivoted into an online learning business in response to the desperate need for digital skills within his clients.

SIMON NELSON

CEO Higher Education

Appointed: September 2021

Simon joined QA in September 2021 as CEO HE.

Simon was the founder and CEO of FutureLearn, the online learning platform launched by the Open University in 2012. He was responsible for scaling the platform from start-up to one that was used by world-renowned academic industries and reached 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.

NATHAN RUNNICLES

Chief Financial Officer

Appointed: May 2018

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

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 Partner at CVC.

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

ROB LUCAS

Non-Executive Director

Appointed: June 2017

Rob is a Managing Partner at CVC.

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

OUR PEOPLE

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

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

LEARNING AND DEVELOPMENT

> **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

We develop ourselves and others

Supporting our people with career progression opportunities, development and internal mobility is one of the ways in which we can retain our talent. During FY23, over 120 vacancies were filled internally and more than 130 people were promoted in the year.

CONTINUOUS LEARNING AND DEVELOPMENT

We are committed to supporting internal mobility and career development of our people and in our October 2022 engagement survey, 68% of respondents (75% response rate) agreed with the statement: “I believe there are good career opportunities for me at QA.“

We provide a wide range of training opportunities to our employees including mandatory training – including role specific and compliance training – access to apprenticeships and 3 days per year free training in any subject area they choose. These training days can be completely unconnected to a person’s role – it is offered as an added benefit to encourage personal development.

BESPOKE LEARNING OPPORTUNITIES

On programmes with limited availability like our Leading Edge leadership development programme and Starlight, our aspiring team leader development programme, we run transparent selection processes to choose people on merit.

As a learning business, it is in our nature to constantly improve and challenge ourselves to find better opportunities and experiences. We offer a number of bespoke training courses to provide training and career development to our management and leadership community. Through our Best Fit Selection learning course we’ve started to educate our managers about inclusive recruitment practices. As we expand our offering, we’re bringing in more training on Diversity & Inclusion (D&I) for our management community.

LEADING EDGE

Our bespoke leadership development programme Leading Edge is a 10-month development journey that elevates the individual and collective leadership skills of participants as well as helps building our leadership community.

In our current 2022-23 cohort, we have 32 leaders participating. We selected people based on their commitment and merit of a video application submission. The Leading Edge leadership development programme also includes a training module on Inclusive Leadership – key behaviours around how to create and lead an inclusive working environment.

STARLIGHT

During the year, we also launched a new bespoke programme, Starlight for aspiring team leaders to develop their core management and leadership skills. We had 25 places on our first cohort and applicants went through a multi-stage selection process so that we gave equal opportunity to people whilst actively promoting the diversity of participants. To promote equity and equitable actions as well as diversity, 60% of the participants of our first Starlight cohort are women, 30% of participants are from ethnic backgrounds and 12% of participants report themselves as neurodivergent.

We know that hiring apprentices and other people into ‘earn and learn’ roles is a proven way to build a skilled talent pipeline. We currently have 36 employees who are on apprenticeship programmes and will continue to increase those in ‘earn and learn’ roles in the coming years. This is important to us and it is also great for the wider economy – skilling up people to fill the UK’s core skills gaps.

4,483

Total employee learning days
2022: 3,953

928

Total new hires
2022: 1,305

136

Employee promotions
2022: 246

DIVERSITY AND INCLUSION ("D&I")

Our diversity makes us stronger.

We're committed to building a culture that promotes equality, diversity and inclusion – and one that actively values differences. But our responsibility isn't just to those who work for us, but also to larger education industry in the technology space, the clients we serve and communities we operate in.

WHAT DIVERSITY & INCLUSION MEAN TO US

Diversity means celebrating differences as well as valuing everyone – by respecting differences, we can build meaningful relationships and leverage unique perspectives and experiences. Inclusion means breaking down barriers, eliminating discrimination and ensuring equal opportunities for everyone.

OUR APPROACH TO D&I

- Build our Diversity Data
- Leverage external D&I expertise & partnerships
- Drive change using our people

BUILD OUR DIVERSITY DATA

Data continues to be at the heart of our D&I strategy – without it, we won't know where our attention is needed and what improvements need to be made so our people can thrive. We now have much richer data than ever before – 62% of our employees have shared their characteristic data with us which helps us to measure and understand the progress we're making. While we have a lot more to do to encourage our people to share their D&I characteristic data, the data shows greater representation progress across various communities and positive change.

Our Inclusion Index, measured through our regular pulse surveys, remained the same at 87% (% of employees reporting positive sentiments when it came to inclusive decision making, fairness of reward/recognition, authenticity, belonging, psychological safety and a culture of inclusion).

The FY23 pulse surveys (conducted in October 2022 and February 2023) measured employee engagement across the Group. When analysing the data, we looked at the levels of engagement by gender and ethnicity. The eNPS scores from Men and Women as well as our Asian, Black and White colleagues were similar to the Group result. For the first time we're seeing the eNPS scores across all characteristics rise which reinforces that our D&I efforts are making a positive impact across all groups.

clearassured
SILVER

LEVERAGE EXTERNAL D&I EXPERTISE & PARTNERSHIPS

To support us on our D&I journey we continue to partner with external organisations to leverage their guidance and expertise in D&I. Through our partnership with Clear Assured, this year we achieved 'Silver' on the Clear Assured D&I framework – the Silver Standard is awarded to businesses which demonstrate that diversity and inclusion are reflected across policies and processes. This achievement reflects our commitment to continuously improve and create an inclusive experience for all employees embedded not only into day-to-day operations but owned at a strategic level with long-term objectives and measurement in place.

For the second year running we were ranked on The Inclusive Top 50 UK Employers List. Our entry at number 40 is in recognition for our inclusivity practices across all strands of diversity, including age, disability, gender, gender identity, sexual orientation, race and faith.

> **Unfortunately, neurodiversity still holds a negative stigma for many due to stereotypes and a lack of understanding so I wanted to use the CEO tour of the offices to shine a light on the awesomeness Neurodiversity can bring to the workplace. In addition, to raise awareness so we could improve the experience for our ND colleagues and learners.**
>
> **A highlight for me was the 70 colleagues who shared with us that they were ND for the very first time, plus not forgetting the other 80 colleagues who asked to be screened. The most important outcome from the first tour for me is that many ND colleagues report feeling more understood, appreciated, and seen."**

MARK SOADY – D&I CHAMPION,
Senior Learner Service Manager

DRIVE CHANGE USING OUR PEOPLE

The most effective change in an organisation occurs organically through its people and as a collective we know that diversity makes us stronger, but it's the everyday people behaviours and actions that drive change.

In 2020, we established our first employee-led network for our LGBTQIA+ community and allies, this was quickly followed by the launch of Black in the workplace and today our people benefit from well-established networks and groups.

Our networks form an important part of our culture – they are about creating spaces for connection, support and celebration and are a great way to share experiences and learn something new.

The networks are supported by a team of D&I Champions, who volunteer their time to activate D&I within the workplace. The champions, along with our vibrant networks, drive a continuous programme of events across the business to promote community engagement and cultural awareness. They also play a key role in informing how we develop and advocate for policies and processes that support employees of all communities and identities.

> **The best thing about being a D&I Champion is that you get to drive positive change and make a difference to people's lives.**

HAPPY ULLAH - D&I CHAMPION
Client Relationship Director

OUR NETWORKS INCLUDE:

- LGBTQIA + Community
- Black in the Workplace
- QA Military Family
- Menopause and Peri-Menopause Group
- The Islamic Community
- Parents and Guardians Group
- Disability and Neurodiverse Community
- Fertility Network
- Men's Support Group

HOW THE NETWORKS HAVE MADE A DIFFERENCE:

- **Black in the Workplace** were instrumental in our public pledge to campaign for race equality by signing the Business in the Community Race at Work Charter commitment to tackle the barriers faced by people from ethnic groups in recruitment and career progression and to ensure we're representative of the clients, learners, students and communities we serve.

- Our **LGBTQIA+ Community** and allies represented us at London and Birmingham Pride for the first time helping us to demonstrate our ongoing commitment to creating an inclusive environment where our people and learners can thrive.

- **The Disability and Neurodiverse Community** was created off the back of a company-wide Neurodiversity tour. The impact of the tour resulted in achieving the British Dyslexia Association Smart Award, certifying that we are a dyslexia-friendly employer. Raising awareness of neurodiversity in the business gave our employees the knowledge and skills needed to support and signpost our operations. This saw our monthly referrals for neurodiversity assessment increase by 500% and as a result we now offer an neurodiversity assessment to all our employees.

- **Menopause and Peri-Menopause Group** implemented the Menopause and Andropause Policy and Fertility Policy. The policies provide a greater level of support for our people as well as raising awareness and educating our people managers and wider workforce to help normalise conversations around these topics.

OUR GENDER PAY GAP

Our aim is to always pay people fairly for the work that they do and achieve as close to equal gender representation as possible across our Career Framework job families and levels.

There are a myriad of factors that are considered when determining an employee's salary, such as their experience, qualification, performance level and so on, meaning naturally there will always be pay differences between individuals for the work that they do. However, gender should never be a contributing factor. We will continue to focus on mitigating factors that drive our gender pay gap by using evidence-based approaches and investing in relevant benchmarking tools.

This is our fifth Gender Pay Gap report and this year we review pay data from the 2022 reporting period that runs from April 2021 to April 2022.

Our calculations are based on pay data for 2,248 employees in April 2022, as required by the mandatory gender pay gap reporting regulations. We removed all employees who did not receive full pay during the snapshot period (296). The data is taken from all QA roles, at each job level, and the corresponding rates of pay and bonus payments.

QA GROUP

We continue to voluntarily report our collective Group gender pay gap data to show our overall position.

Overall, our median pay gap for the Group has continued to reduce; In 2022 the gap was 13.4% compared to 15.8% in the prior year. Although our mean pay gap has increased, our median pay gap remains below the UK median pay gap for all workers (14.4% for 2022).

In 2022, the Group median bonus gap was 20%; increasing from a neutral bonus gap in the prior year. We also saw the mean bonus pay gap increase to 11.3% (2021: 6%).

The work we're doing has started to close our gender pay gap:

- We will be setting transparent targets for new hires, promotion & gender representation per level
- We incorporated pay awareness modules into some of our management training programmes to drive better outcomes during recruitment and performance management activities
- We assessed the hybrid working experience across our workforce through a survey and our managers through a series of focus groups. We will introduce further support and improvements to strike the right balance between flexibility and performance, and leverage our offering with the aim of attracting more women into senior roles
- We've invested in a salary benchmarking tool to provide more robust information for our managers to assist them with their pay decisions
- We introduced Compensate, a new tool that helps managers visualise salary and bonus data, aiding remuneration decision-making. We encourage our people managers to analyse and review salaries within their teams at the gender level to identify opportunities for correcting any gender pay gaps
- We continue to use Inclusive Companies and Working Mums job boards to assist in attracting diverse talent that is seeking more flexibility in working hours and patterns
- Our Exit Interview process has been improved to ensure we're collecting data to evaluate reasons for women leavers and identify relevant trends.

PAY GAP

QA GROUP

	2021	2022
Median	15.8%	13.4%
Mean	13.7%	17.2%

BONUS PAY GAP

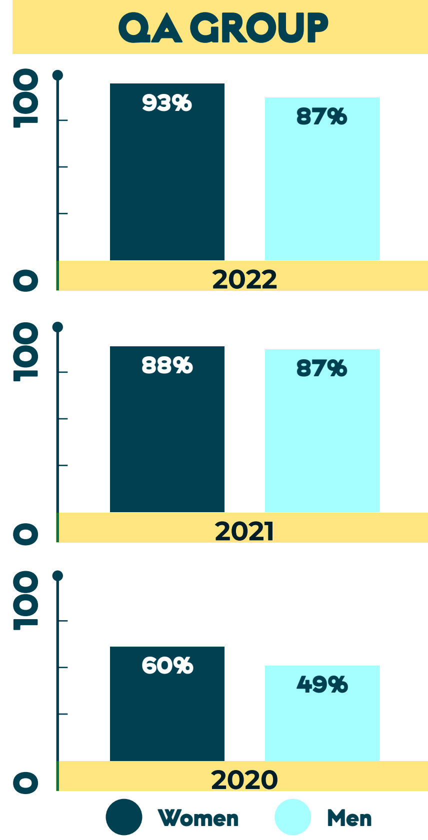
QA GROUP

	2021	2022
Median	0%	20%
Mean	6%	11.3%

	QA GROUP
Total population	2,248
No. white employees disclosing	1,000
No. ethnic diverse employees disclosing	384
Mean pay gap	-0.8%
Median pay gap	-5.3%

BONUS PAY GAP

Illustrates the proportion of the total male and female workforce who received a bonus, including commission & other variable pay elements.



GENDER SPLIT – QA GROUP

	2022 Men	2022 Woman	2022 Total	2023 Men	2023 Woman	2023 Total
Employees	1,711	1,246	2,959	1,601	1,234	2,835
Managers	202	196	398	137	112	249
Executive Leadership (excluding non-executive directors)	6	2	6	7	2	9
Directors	3	0	3	3	0	3

EMPLOYEE ENGAGEMENT

We care about how people feel about working for us – we want all our people to thrive – to love working here and to have a positive relationship with their role and team, the leadership and the overall culture.

We use a combination of communication channels, platforms and techniques to ensure our people feel engaged, informed and connected.

Some examples of how we engage with our people:

- Our intranet has evolved over the last year – making it more accessible and interactive to drive levels of engagement. The platform is used as a resource hub and to share both people and business related news
- The executive team hold regular '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
- Employee-led networks and communities are supported by the executive team to make a difference to the way we work and to help our people thrive
- Every month our employee partners meet to share opinions and ideas with the leadership team to help improve life at QA
- Twice a year our people tell us how it feels to work here through our pulse surveys
- This year, our Workforce Learning CEO, visited every office to meet our people and learn more about the business. The tour included an update from the CEO, team shadowing, Q&A and a networking lunch

WHAT OUR PEOPLE SAY

During the year we conducted two pulse surveys to measure the engagement, wellbeing and inclusion of our people. We've found that replacing the traditional long annual survey with a series of pulses, focusing on different topics, gives us real time insight into how people are feeling. 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.

This year we measured:

- Career opportunities
- The vision communicated by the leadership team
- Whether or not we receive appropriate recognition
- The understanding of how our roles add value to the business
- Wellbeing–specifically manager behaviours and being able to switch off from work
- Inclusion – if we can be our authentic selves and whether our managers create an inclusive environment
- Our engagement in our roles–specifically whether our work energises us
- Our commitment to QA–whether we see ourselves here in 2 years' time

CREATING A HIGH PERFORMING CULTURE

Creating a culture with optimum levels of engagement is essential for people to do their best work and contribute to the long-term success of the business through meaningful impact.

This is the second year that we have surveyed inclusion and wellbeing, and it's encouraging to see we're maintaining high levels of agreement. We measured different dimensions of wellbeing; feeling cared for by our managers, and whether or not our people can switch off and rest.

Our Wellbeing Index is currently at 80% (% of employees reporting positive sentiments when it came to manager support on wellbeing, work-life balance, resilience and team support). It's more important than ever that people feel supported by their managers from a wellbeing standpoint given the seriousness of the cost-of-living crisis. However, we understand that managers cannot solve all problems themselves. We've introduced initiatives to provide financial help, for example an interest-free energy support loan, improve signposting and resources of support. We've also created wellbeing training for managers, appointed and trained more mental health first aiders and reinvigorating our employee-led approved listeners programme.

MEASURING ENGAGEMENT

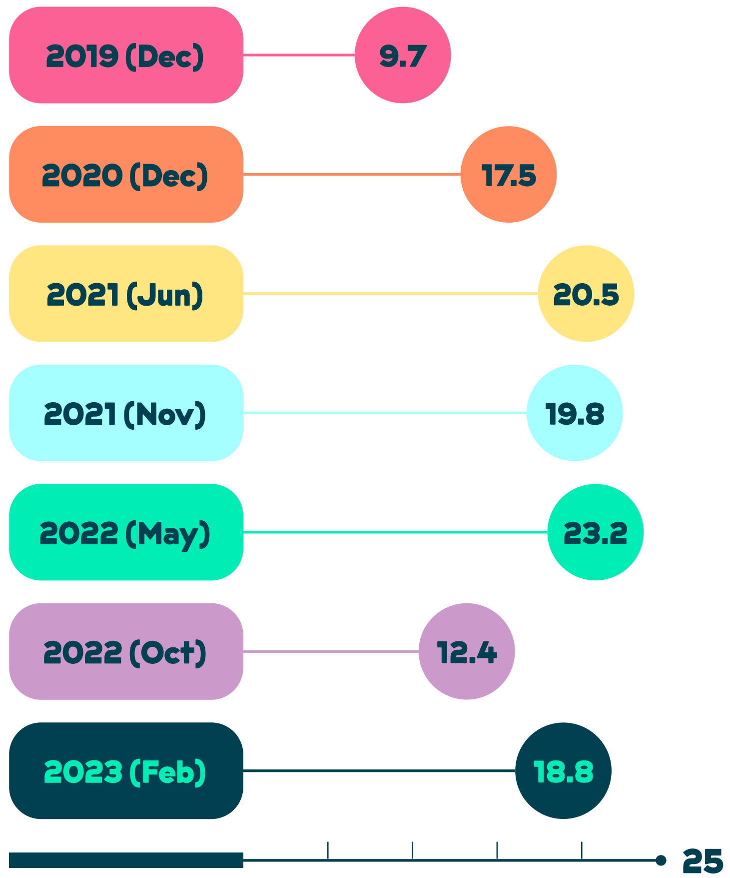
We continue to see a healthy response rate, with on average 75% of our people sharing their feedback with us. One of the ways we measure our employee engagement is through our employee net promoter score - it's an effective way to benchmark ourselves against the market and our previous results.

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

Our eNPS dropped considerably to 12.4 in October 2022. After evaluating the data and the free-text comments, we recognised that the lower levels of engagement may have been a direct result of the significant strategic and leadership changes seen across the business as that time.

In February 2023 we recorded in the eNPS, climbing to a healthy 18.8. Whilst this is a good result, there's more we need to do to get reach our peak eNPS of 23.2 (May 2022) and higher. We also enjoyed high, Group level engagement across the questions we surveyed this time - 80% and above of our people expressed positive statements. To continue to improve our overall eNPS we will focus on the inclusion and wellbeing index to introduce invitiatives and polciies to better support our people in these areas.

QA eNPS Score



REWARD AND RECOGNITION

Life at QA is about everyone thriving. We're driven by learning and aim to empower our people to develop into their best self. We have a strong desire to innovate and bring new ideas to the table. The pace of our work is fast and can be intense – so we make sure we celebrate each win together along the way.

We want our people to be proud of what they achieve. Recognising them for the great work they do is as important to us as it is to them and feeling valued and appreciated helps to create a high performing culture.

Our values help bring this to life and clearly communicates what things we value most in our people. Through performance conversation and employee valuations, our values play a vital role in the way we reward and recognise our employees.

VALUING OUR VALUES

Our employees are rewarded based on objectives that specifically align to our values, behaviours and the Group's mission. Performance and recognition is continuously tracked in Compass, our employee performance management system, and all employees are encouraged to give peer to peer feedback recognising QA-Spirit-aligned behaviours.

CELEBRATING OUR PEOPLE

Our year-long recognition programme is open to everyone and culminates in an annual awards celebration – recognising and rewarding individuals and teams whose achievements and contributions are standout examples of **'living the QA-Spirit'.**

This year we celebrated more people than ever before after receiving over 7,000 nominations from across the business. Following a tough executive judging panel we rewarded over 550 individuals throughout the year as quarterly winners. The quarterly winners then formed a shortlist where we selected the very best of the best and invited 200 Finalists to the awards celebration where we announced our 50 annual Winners.

Our Club 110 programme continues to celebrate the success and contribution of our salespeople. It rewards those that make more than 110% of their annual target. This year 98 sales people qualified for the trip and headed to Las Vegas.

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 and equitably. As part of our annual pay review cycle, we ensure we conduct a thorough pay equity exercise, whereby everyone's salary package is reviewed against colleagues of the opposite gender who are in the same or similar role. This review helps inform decisions made during the pay review process.

We have committed as an organisation to paying the Real Living Wage and we use benchmarking tools to ascertain the appropriate pay for each role in relation to external, comparator roles.

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 our values.

LIFESTYLE BENEFITS

We want everyone to thrive in and outside of work, so we offer a wide variety of core and lifestyle benefits to our employees. Through our pulse surveys and employee partnership forum we regularly review our reward and benefits package to make sure our benefits are flexible and make a difference to the lives of our people.

HEALTH AND WELLBEING

Providing access to preventative health and wellbeing solutions & tools.

- Private Medical Insurance or Medical Cash Back Plan (BUPA, MediCash)
- Flu jabs
- Gym discounts
- Employee Assistance Programme
- AIG Smart Health
- Online GP

WORK-LIFE

Offering a balanced life with future security for employees and their loved ones.

- Hybrid working & working anywhere
- Life assurance
- Income protection
- Maternity and paternity leave, including buggy and returner bonus
- Pension contribution
- Childcare voucher
- 27 days holiday increasing based on length of service
- 2 Charity days
- Additional holiday purchase

GROWTH

Supporting employees with career and personal development

- 3 Training and development days
- Unlimited access to Circus Street and Cloud Academy learning pathways
- Internal apprenticeships
- Aspiring leader and senior leadership development programmes
- Sponsorship of further studies
- Bespoke learning academies

SMART

Enabling employees to make smart decisions

- Discounts and savings
- Cycle to Work
- Tech Scheme

OUR VALUES

We know our stuff

Everyone takes responsibility for having the latest skills and knowledge on their specialism.

We always deliver

We can be relied on to do whatever is needed to deliver our promises.

Our diversity makes us stronger

We bring our whole selves to work and respect each other's differences.

We develop ourselves and others

We achieve great results when we nurture and develop our people.

We win as a team

We always share success together, recognising we all have a key part to play.

We make a difference

We have a real passion for our sector and care a lot about the impact we can have.

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.

We have removed 50% of our printers and photocopiers in our offices with a target to reduce our paper usage by 50% year on year.

ECOVADIS GOLD AWARD

In our most recent EcoVadis sustainability assessment, we achieved 'Gold' rating, which places us in the 97th Percentile of companies assessed by EcoVadis globally and the top 5% of companies from the education sector. This demonstrates our commitment to our ongoing Environmental, Social, Governance (ESG) journey. Reviewing our sustainability performance, the impact we have on the environment and society and how we empower our people is important to us and provides reassurance to our customers, partners, and investors that we are delivering strong ESG throughout our business.

We were assessed across four pillars and our strengths were recognised within the Environment and Labor and Human rights categories where we scored 80% with advanced sustainability performance.

1. **Environment**
2. **Labor and Human rights**
3. **Ethics**
4. **Sustainable procurement**

Our ESG framework helps us to measure and benchmark our impact and the way we manage risks and opportunities on sustainability issues today and into the future.

People empowered to deliver

Developing QA colleagues, Inclusion and Diversity, Colleague engagement, Community engagement.

Promoting environmental sustainability

Reducing our environmental impact, Safeguarding our customer & colleague data, Community engagement.

Services and training that make an impact

Client and Learner engagement, Investment in Digital, Sustainable Content & Delivery.

From the platform of strong and stable governance

Strong effective governance culture & policies., End to end implementation across all levels of the business through training, automation and standardisation.

RECYCLING

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

209
trees
(2022: 120)

28.4 cubic
cubic meters of waste
(2022: 16.1)

52,000
Kwh
(2022: 30,000)

7,400 kg
CO_2 saved
(2022: 4,000)

393,000
litres of water
(2022: 226,000)

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 £150,000 worth of equipment and furniture to schools and charities across the UK.

QA sponsor a 20ft container that is shipped to schools and hospitals in Ghana each year, this includes donated laptops, computers, tablets, monitors, printers, photocopiers and office furniture. This year the team have used the equipment to set up a local Information Communications Technology hub for a cluster of schools.

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

- Oulton Primary School - Oulton
- St Thomas More Catholic School - Newcastle
- Carrington School - Surrey
- Ukraine Humanitarian Appeal
- St George's Crypt - Leeds
- Egerton Rothesay School Special Education School Hertfordshire
- Action for Children in Scotland
- Community Charity Sistema
- RB Kares
- Trio Foundation supporting Hospitals and Schools in Ghana
- GyleWorks - Edinburgh
- St Mary's Church Hall - Whitkirk
- St Johns Community Hall - Leeds

GOLD 2023 ecovadis Sustainability Rating

CARBON REPORTING

We have produced our fourth 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 2035 for Scope 1 and 2 and 2040 for Scope 3. We are working with Inspired Energy a leading sustainability consultancy to achieve this. Through FY24 and FY25, we plan to further 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 developed virtual classroom delivery methods which reduce the number of physical classrooms required as well as a reduction in trainer (to deliver the learning) and delegate (to attend the learning) travel to our premises.

As we have reduced the size of our property portfolio, we have identified surplus computer equipment and office furniture, which has been donated to a number of charitable causes including the Trio Bridge Foundation (providing computers/furniture to support educational facilities in Ghana), thereby avoiding the equipment being sent to landfill. To support our sustainability journey, we provide all of our people with Environmental Awareness Training.

We are proud to say we again achieved 100% verifiable data coverage of our carbon emissions, with no estimations required (2022: 100%). Our Scope 1 emissions (combustion of natural gas) decreased by 2% to 120 tCO2e, (FY22: 123) resulting from the direct combustion of 660 MWh of fuel (FY22: 670). This result is 18% below the peak reported in FY20.

Scope 2 indirect emissions (purchased electricity) decreased by 16% to 547 tCO2e (FY22: 655), resulting from the consumption of 2,827 MWh (FY22: 3,084) of electricity purchased and consumed in day-to-day business operations. Overall usage decreased as the Group reduced the number of locations from which we operate. This result is 44% below the peak reported in FY20.

Scope 3 transport emissions increased by 74% in the year to 153 tCO2e (2022: 88 tCO2e). The increase in the year was driven by the return to a normalised level of business travel following the lifting of the Covid restrictions. Despite this increase, our travel emissions are still 72% below the peak reported in FY20.

Our operations have an intensity metric of 2.5 kgCO2e per sq.ft for this reporting year (FY22: 2.8). The current year intensity ratio decreased as the business reduced gas and electricity consumption as the Group's operational footprint declined.

UTILITY AND SCOPE	FY23 UK Consumption MWh	FY23 UK Consumption tCO2e	FY22 UK Consumption MWh	FY22 UK Consumption tCO2e
Grid-Supplied Electricity (Scope 2)	2,827	547	3,084	655
Gaseous and other fuels (Scope 1)	660	120	670	123
Transportation (Scope 3)	662	153	380	88
Total	4,149	820	4,134	866

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 suppliers for the Group. Intensity metrics have been calculated utilising the FY23 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 2023, total venue space was 325,000 sq foot (FY22: 315,000), with the increase supporting growth in our Higher Education businesses, where physical in-person teaching is a mandated requirement of educational delivery. Where possible the Higher Education requirement has been met by vacating premises previously used by the Learning business.

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

We make a difference

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

MAKING FUNDRAISING FUN

National fundraising events continue to play an important part of our CSR calendar and are very popular and well supported by our people across the business. To help us achieve this, our charity champions – made up of employee volunteers – drive regional and local activities in each of our offices.

In addition to supporting Macmillan Coffee Morning, Children in Need Movember and the Poppy Appeal this year we also created a 'giving' campaign. Each office nominated a charity to support throughout the month of December and found creative ways to festive fundraise – including people and jumpers, people and bakes and people and pets.

Through the 20-day 'giving' campaign we raised over £3,500 for seven charities:

- **Shelter**
- **Beanstalk**
- **Leeds Hospitals**
- **Save the Children**
- **Love Brum**
- **St Basils**
- **Sue Ryder**

As part of the 'giving' campaign we also signed up to the Giving Tree campaign supporting national charity KidsOut. Through the campaign we donated more than 700 presents.

Our photography club, for the second year running, created a 2023 calendar with 'winning' photos taken by its members. One of our suppliers, MPH Enterprises kindly covered the print costs again and monies raised from the sale of the calendars were donated to Disabled Photographer's Society.

We know that our people go to extraordinary lengths to support charities close to their heart and we want to do what we can to support this. 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 £17,000 supporting over 45 individual charities across the UK.

GIVING BACK THROUGH TIME

As part of our benefits package our people are encouraged to make a difference to communities and charities of their choice through the benefit of charity days – giving them the chance to volunteer their time or to share a skill as an individual or team. This year our people have volunteered over 750 hours.

A SPRING CLEAN IN SCOTLAND

Our colleagues in Scotland came up with a great way to volunteer their time, plus recycle unused office furniture and stationery.

They donated to community charity Sistema Scotland. They improve young people's lives and strengthen communities through music and nurturing relationships.

ZAKAT IN THE BLESSED MONTH AND BEYOND

Our Islamic community are very active and encourage everyone to get involved and support where they can. This year they focused their efforts in communities by supporting local food banks and further afield through the earthquake appeal.

During the month of Ramadan, they provided much needed support for the World Care Foundation.

WALKING FOR LOUISE

Following the sad death of a much-loved colleague and in memory of her 50th birthday, her team decided to take on the Ultra Challenge of walking 25km to raise awareness and much-needed funds for Breast Cancer Now. The team collectively raised over £5,000.

INVESTING IN OUR COMMUNITIES

We continue to support and invest in our local communities through the donation of technology and furnishings – you can read more about this in the green initiatives section of this report.

It is important to us and our 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 Teach the Nation.

Current partnerships include STEMettes (an award-winning social enterprise), Barnardo's (Employment, Training and Skills (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).

CONTINUING TO TEACH THE NATION TO CODE

Teach The Nation To Code is a not-for-profit initiative that provides an on-ramp to developing tech skills for those who haven't been able to pursue traditional further education or higher education routes for a number of reasons but have the attitude and aptitude to succeed. This includes academic and financial barriers or personal challenges and commitments.

We currently offer workshops in Python coding language, Data and Blockchain.

The initiative is co-funded by QA and a grant from CVC. All our workshops are free for learners to attend.

Closing the digital skills gap

Teach The Nation To Code solves two key challenges – the digital skills gap and improving social mobility. Digital skills are more in demand than ever before but there just aren't enough ready-skilled people to fill them. As technology continues to permeate every industry Teach The Nation To Code is just one sustainable way to help close the digital skills gap, nurturing interest in technology and digital skills to support more people into related employment. By doing this we can ensure businesses are getting the skills they need to be more productive and improve competitiveness to drive economic growth.

Diversifying the tech sector

At the same time, we must widen the talent pool for technology jobs. There is a huge opportunity to bust the perceived myths that you must be degree-educated to work in tech, that people working in technology have a certain 'look' and that it is a 'male' sector. These artificial barriers are continuing to suppress social mobility, subconsciously excluding people from realising their potential and having successful careers across digital and technology. Teach The Nation To Code focuses on attitude and aptitude to supercharge social mobility, empowering everyone to try their hand at tech and support people from all walks of life into employment. If we get this right, it isn't just individuals and business that win, but the whole UK economy.

Impact of 2023

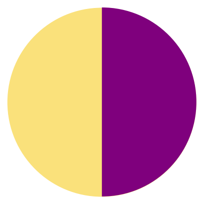
Throughout 2023 we delivered more workshop than ever before, reaching over 7,000 learners through Teach The Nation To Code – an increase of 51% on FY22. The good news is that whilst widening our impact we've continued to support underrepresented talent.

While Teach The Nation To Code focuses on supporting people within the UK, its reach is global with learners from 30 countries:

- Argentina
- Australia
- Bulgaria
- Brazil
- Canada
- China
- Czech Republic
- Finland
- France
- Germany
- Greece
- Hong Kong
- India
- Italy
- Japan
- Lithuania
- Malaysia
- Netherlands
- Nigeria
- Philippines
- Poland
- Portugal
- Qatar
- South Korea
- Spain
- Sweden
- Taiwan
- Turkey
- United States

Gender Breakdown

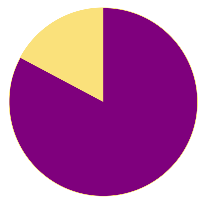
Female representation –



50%
YOY Change - 0%

Learner Experience Level

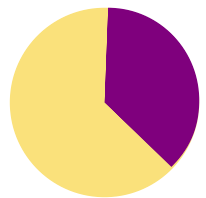
Beginner level learners –



83%
YOY Change - 1%

IMD Decile Breakdown

Learners from IMD Deciles* 1-3 -



38%
YOY Change - 0%

FY22

33 Total Workshops

4,838 Total Learners

FY23

55 Total Workshops

7,287 Total Learners

+51% YOY Learner

*(Postcodes in the bottom 30% of the deprivation index)

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.

CFO STATEMENT

In FY23, the Group continued to deliver strong revenue and adjusted EBITDA growth. Revenue increased by 10.4% to £351.2m* (2022: £318.1m), with Adjusted EBITDA growth of 19.0% to £85.1m (FY22: £71.5m). The adjusted EBITDA margin improved to 24.2% (FY22: 22.5%). With operating cashflows 34.3% higher than the prior year at £85.8m (FY22: £63.9m) the Group repaid £30.0m of its term loan in year and refinanced it's facilities after year end. The Group continued to build its digital capabilities through increased product and content development.

TRADING PERFOMANCE

Table 1 below sets out the Group's summary income statement for the year ended 31 May 2023 ("2023" or "FY23") and compares it to the year ended 31 May 2022 ("2022" or "FY22"). The reconciliation of Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), a non-IFRS measure, to the loss for the year, is set out in Table 3 on page 52.

The provision of workforce learning services to enterprise clients accounted for £240.4m (68.4%) of Group revenue and increased by a reported 9.1% in 2023. There was growth in digital instructor led training ("digital ILT") courses, digital subscriptions and funded learning programmes (encompassing apprenticeships and bootcamps). Digital ILT saw revenue growth of 8.0%. Digital subscription revenue in year was up 29.1% to £33.0m and lifted US client revenue to over 10% of learning revenue. Apprenticeships on programme grew 46% to 9,414 cementing UK market leadership in technology and digital programmes. Higher Education revenues (adjusted to include the Group's share of results of joint ventures) grew 23.5% to £120.7m as international student growth increased the average number of undergraduate and postgraduate students by over 22% to 7,600.

Gross profit increased by 10.8% to £206.6m (2022: £186.4m) with margins improving to 58.8% (2022: 58.6%). Included within gross profit is an insurance receipt of £1.0m (2022: £1.8m) to compensate for the temporary trading disruption during the cyber incident in 2021. The Group also continues to benefit from more efficient delivery models.

Operating expenses (being administration expenses before adjusting items and amortisation of acquired intangibles) increased to £154.5m (FY22: £132.4m) reflecting the continued investment to support growth in higher education and workforce learning. Our average number of employees (including trainers, tutors and coaches which are reported within cost of sales) increased to 2,709 in 2023 (2022: 2,404). The continued 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 16,000 sq ft from the learning network (2022: 45,000 sq ft). However, in-person learning remains core to the delivery of higher education programmes resulting in a new 52,000 sq ft. lease in Birmingham.

Adjusted EBITDA for the full year increased 19.0% to £85.1m (2022: £71.5m) with an Adjusted EBITDA margin of 24.2% (2022: 22.5%).

*Table 1 : Financials**

£'M	2023	2022	2021
Revenue	351.2	318.1	255.5
Gross profit	206.6	186.4	140.0
Operating expenses	154.5	132.4	103.6
Adjusted EBITDA	85.1	71.5	53.9

* The trends discussed in this section are presented before the impact of the deferred revenue adjustment, which reduced reported revenue by £0.2m (2022: £2.4m). 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 £83.5m (2022: £56.3m), 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. Capital expenditure in the year reduced to £17.3m (2022: £20.3m) with over £9m invested in content and product to support future growth opportunities. Table 5 on page 52 sets out the reconciliation of free cash flow.

The learners served by the business were 538,000 (2022: 439,000) reflecting increased demand across all our activities.

ADJUSTING ITEMS

Table 3 on page 52 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), net interest payable and similar charges, amortisation, depreciation, tax on joint venture profits and adjusting 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 are not indicative of our underlying operating performance. Adjusted EBITDA margin is the ratio of Adjusted EBITDA to revenue.

Adjusting items in the year primarily relate to the Group's re-financing and acquisition and disposal activities including the acquisition of Circus Street and a strategic review of the divestment options for its trading businesses. The Group continues to invest in its digital transformation activities and reshape it's Workforce Learning operations to align to it's strategies of digital first solutions for enterprise clients. (see Note 4).

REPORTED RESULTS

On a reported basis for the year ended 31 May 2023, as set out on page 60, the Group had revenue of £351.0m (2022: £315.7m) with an operating profit of £11.0m (2022: loss of £9.7m).

The loss before tax for the year of £70.2m (2022: £85.5m) is arrived at after deducting net finance costs of £80.6m (2022: £75.8m), of which £25.9m (2022: £18.6m) is attributable to the Group's senior credit facilities of £290.0m (2022: £320.0m) and its revolving credit facility, with the balance arising on the Group's shareholder loan notes of £650.6m at year end (2022: £589.4m).

The Group is merging its learner management platforms and has ceased the development of other projects that were to provide similar services. This resulted in an impairment charge of £5.1m (2022: nil) in respect of development costs (note 4). The Group did not incur further impairment expenses (2022: £0.4m) in respect of fixed assets on the exit from properties that historically supported in-person learning as these were anticipated in prior year results.

The financial position of the Group is presented in the Consolidated Statement of Financial Position on page 61 with net liabilities of £616.4m (2022: £549.3m) at year end.

The Group is in a net liability position due to interest accruing on shareholder loan notes of £650.6m (2022: £589.4m), 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 2023 were £633.2m (2022: £627.4m) comprising intangible assets of £428.6m (2022: £449.6m), property, plant and equipment of £54.6m (2022: £50.0m), other non-current assets of £11.9m (2022: £2.8m) and current assets, including cash, of £138.1m (2022: £125.0m). The assets of the Group have increased marginally due to cashflows net of the £30.0m repayment in year of the Group's borrowings under the senior credit facilities.

*Table 2 : Key performance indicators**

	2023	2022	2021
Revenue growth (£'m)	33.1	62.6	-15.1
Adjusted EBITDA (£'m)	85.1	71.5	53.9
Free cash flow (£'m)	83.5	56.3	50.4
Learners (No.'000)	538	439	281

REPORTED RESULTS (CONTINUED)

Total liabilities as at the balance sheet date of 31 May 2023 were £1,249.6m (2022: £1,176.7m) comprising of bank loans due over one year of £288.7m (2022: £317.2m), other non-current borrowings on £697.5m (2022: £632.5m), provisions of £7.2m (2022: £6.3m), deferred tax of £39.8m (2022: £41.3m) and other current liabilities of £216.4m (2022: £179.4m). The Group's other current liabilities increased by £37.0m as trade and other payables increased following the recovery in the Group's markets with deferred income increasing by £8.4m and other creditors up £25.9m due to the growth in balances with Higher Education's joint ventures..

CAPITAL RESOURCES

Our primary sources of liquidity consist of cash, which amounted to £63.4m (2022: £53.2m) at year end, and available drawings of £65.0m under the Revolving Credit Facility (2022: £65.0m un-drawn). In October 2023 the Group completed a re-financing and has entered into a new 6 year loan for £265.0m and a £40.0m Revolving Credit Facility.

FINANCING FACILITIES

In June 2017 the Group entered into a senior credit facility of £320.0m with a maturity date of June 2024. Interest is set at three-month GBP SONIA plus a margin of 4.75%.

In June 2017 the Group entered into the Revolving Credit Facility agreement, with a maturity date of December 2023, which provides £65.0m of committed financing, all of which can be drawn by way of loans or ancillary facilities. Drawings under the Revolving Credit Facility were nil at the balance sheet date (2022: £nil).

Post year end in October 2023, the Group completed a re-financing of its debt facilities with the facilities set out above being repaid. This resulted in a new senior credit facility of £265.0m with a maturity date of October 2029. Interest is set at GBP SONIA plus a margin of 6.0%. 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. A cap of 6.0% and a 3.66% collar has been entered into from June 2024 to May 2026 for £150m of the senior credit facility.

In addition, the Group entered into the Revolving Credit Facility agreement, with a maturity date of September 2029, which provides £40.0m of committed financing, all of which can be drawn by way of loans or ancillary facilities. 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 3.75% which is subject to an annual 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 35% of the applicable margin under the facility.

NET CASH FLOW AND WORKING CAPITAL

Net cash inflow from operating activities was £85.8m (2022: £63.9m) in the year ended 31 May 2023. Seasonality in the Group's activities leads to fluctuating 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 £38.6m working capital inflow (2022: £20.3m). 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

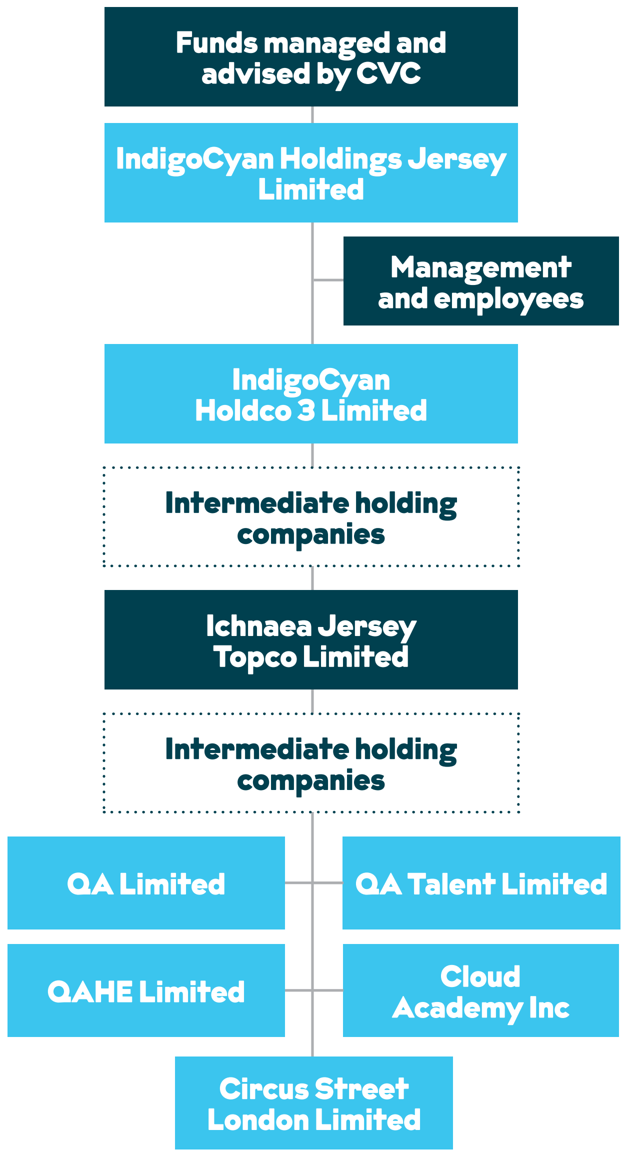
Table 4 below, sets out the contractual commitments at 31 May 2023 that are expected to have an impact on liquidity and cash flow in future periods. The table excludes any future interest payments on our senior debt facility and also further utilisation of amounts under the Revolving Credit Facility if drawn. 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. Post year end, the Group's contractual commitments have changed due to the refinancing as mentioned above.

GROUP STRUCTURE

On 23 June 2017 Ichnaea Jersey Topco Limited ("Ichnaea"), the top Company in the QA Group's organisational structure, was acquired by IndigoCyan Holdco 3 Limited ("IndigoCyan" or "Group"), a Jersey entity, owned by funds managed and advised by CVC Capital Partners (CVC), a private equity firm, alongside QA's management team and employees. On 7 June 2019 the Group acquired 100% of Cloud Academy Inc and on 1 July 2021, 85.5% of Circus Street London Limited.

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

The QA Group Structure



MANAGEMENT OF FINANCIAL RISKS

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

CREDIT RISK

The Group's principal financial assets are bank balances and trade debtors. The Group's credit risk is primarily attributable to its trade debtors. Management continually reviews outstanding receivables and debtor recovery plans together with credit limits across for our customers. The amounts presented in the balance sheet are net of provision for doubtful debts.

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

LIQUIDITY RISK

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

The Group has sufficient funds through existing cash balances, free cash flow and, where needed, the Revolving Credit facility, to service the annual cost of its financing and meet its other business needs. The Group does not use derivative financial instruments for speculative purposes. Notes 15 and 17 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 key 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.

Table 3 : Adjusting items

£'M	2023	2022	2021
Adjusted EBITDA	**85.1**	**71.5**	**53.9**
Deferred revenue adjustment (note 2)	(0.2)	(2.4)	-
Depreciation and amortisation	(38.4)	(50.7)	(47.8)
Impairment of Fixed Assets and Goodwill	(5.1)	(8.3)	(34.8)
Tax on share of joint venture partner results and other related adjustments	(2.2)	-	-
Adjusting items excluding impairments	(26.9)	(19.3)	(10.4)
Finance income, finance costs and other gains and losses	(80.6)	(75.8)	(73.7)
Other one off adjustments	(1.9)	-	-
Share based payment cost	-	(0.5)	(0.5)
Loss for the for year before taxation	**(70.2)**	**(85.5)**	**(113.3)**

Table 4 : Material Contractual Commitments

£'M	LESS THAN 1 YEAR	MORE THAN 1 YEAR	2023 TOTAL	2022 TOTAL
Senior debt facility	-	288.7	288.7	317.2
Revolving credit facility**	-	-	-	-
Lease commitments	5.3	46.9	52.2	48.5
Total	**5.3**	**335.6**	**340.9**	**365.7**

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

Table 5 : Free Cash Flow

£'M	2023	2022	2021
Adjusted EBITDA	85.1	71.5	53.9
Working Capital Movement*	30.6	19.1	17.0
Taxation paid	(8.2)	(5.7)	(0.1)
Capital expenditure	(17.3)	(20.3)	(15.1)
Lease payments	(6.7)	(8.3)	(5.3)
Free Cash Flow	**83.5**	**56.3**	**50.4**

*Adjusted to remove movement in accrued expenses related to adjusting items.

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, cyber security, infrastructure and systems

To ensure these activities are effectively managed the Group invests in specialist resources, in the form of external consultancies to supplement internal teams who are also supported 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. During the year we integrated the Group's product and technology functions and began investing in a roadmap to create a single platform that underpins the delivery of our learning services and products. Projects were also initiated to implement Salesforce in both Workforce Learning and Higher Education.

Platform migration combined with system integration change increase the short term risk for potential for business disruption, but these changes are a key requirement to drive growth and strategy with appropriate prioritisation.

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 historical network 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. Integration benefits helped capital expenditure on product and content to decrease slightly to £15.1m (2022: £15.4m) in 2023, with the Group continuing to add new functionality, new learning pathways, and new content ranges. This investment is budgeted to increase in 2024. We regularly assess pricing to stay competitive in all our markets, while seeking to introduce new products and features that attract new customers and retain current.

COMPLIANCE RISK ⇑

The continued growth in the number of clients, learners and students we serve across our learning and higher education activities requires increased 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 continued growth is well-managed and quality maintained with scale, in order to meet the standards and reporting requirements set by regulatory and industry bodies. 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.

Unfavourable inspection outcomes, such as lower ratings to our current, could adversely affect our reputation, on-boarding metrics, and regulatory standing. The accurate and timely reporting of learner and student data, educational outcomes, and other relevant metrics are important for regulatory and industry bodies. Inaccuracies or inconsistencies in data reporting may lead to compliance issues and regulatory challenges.

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 ISO27001 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 many 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.

DATA GOVERNANCE, CYBER 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 enhance cyber defence and response capabilities, strengthen monitoring services, upscale endpoint security standards and disaster recovery services, reduce the threat from email and internet services and invest in data management tools. We undertake regular assessments of our security position with our NCSC (National Cyber Security Centre) accredited CIR partner.

We have been re-certified for ISO27001 which is the international standard for managing information security and for Cyber Essentials Plus, which is the NCSC standard which aims to help organisations defend against the most common cyber threats. We completed a NCSC IT Health Check (CHECK) audit of our Learning and Apprenticeship systems which 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 our partner.

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.

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 2023.

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

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 May 2023 (2022: nil).

POLITICAL DONATIONS

The Group did not make any political donations during the year (2022: nil).

SUPPLIER PAYMENT POLICY

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

Trade creditors of the Group at 31 May 2023 were equivalent to 46 days purchases (2022: 52 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 other than the refinancing of the Group as set out on page 101.

GOING CONCERN

The Group's positive trading progress and balance sheet strength in the year ended 31 May 2023 allowed the Group to repay £30.0m of its term loan and end the year with cash of £63.4m.

The forecasting process undertaken by the Directors recognises the inherent uncertainty of the current economic environment where inflationary and recessionary risks are heightened. The Directors believe, given Group performance across the recent economic pressures, 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.

In October 2023 the Group entered into a new financing agreement with a term loan of £265m and revolving credit facility of £40m. The facilities are in place until October 2029 and April 2029 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 2023.

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.

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

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.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, Directors are also required to:

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

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

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

WALKER GUIDELINES

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

Signed on behalf of the Board of Directors by:

Nathan Runnicles

Director

30 November 2023

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements 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 2023 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 Other Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows;
- the related Notes to the Consolidated Financial Statements 1 to 30;
- the Parent Company Statement of Financial Position;
- the Parent Company Statement of Changes in Equity; and
- the Notes to the Parent Company Financial Statements

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

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and 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 Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's business sector.

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 Companies (Jersey) Law 1991, tax legislation and pensions legislation.
- 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. These included the UK Data Protection Act 2018, the UK Bribery Act, the UK Borders Act 2007, and relevant employment and health and safety law.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, and IT specialists 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 procedures performed to address them are described below:

Higher Education – valuation of revenue and bad debt provisions. There is a risk that the provisions in relation to student dropouts and payments are valued inappropriately. We have substantively tested historical withdrawal and bad debt rates and assessed management's inclusion of the findings from history in their current year assumptions. We have considered corroborative and contradictory challenges to management's position due to the macroeconomic environment specific to the student demographic; and

Apprenticeships – valuation of revenue provisions. There is a risk that the withdrawal provisions in relation to apprentice dropouts are valued inappropriately. We have substantively tested historical withdrawal rates and assessed management's inclusion of the findings from history in their current year assumptions. We have considered corroborative and contradictory challenges to management's position due to the macroeconomic environment.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house 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 and reviewing correspondence with HMRC.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in respect of these matters.

USE OF OUR REPORT

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

Louise Cooper FCA
For and on behalf of Deloitte LLP
Leeds, United Kingdom
30 November 2023

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2023

	NOTE	BEFORE ADJUSTING ITEMS 2023 £'M	ADJUSTING ITEMS 2023 £'M	TOTAL 2023 £'M	BEFORE ADJUSTING ITEMS 2022 £'M	ADJUSTING ITEMS 2022 £'M	TOTAL 2022 £'M
Revenue	2	351.0	-	351.0	315.7	-	315.7
Cost of sales		(144.6)	-	(144.6)	(131.7)	-	(131.7)
Gross Profit		**206.4**	**-**	**206.4**	**184.0**	**-**	**184.0**
Administration expenses		(173.9)	(32.0)	(205.3)	(166.1)	(27.6)	(193.7)
Share of results of joint ventures		9.9	-	9.9	-	-	-
Operating profit before amortisation of intangibles and adjusting items		61.8	-	61.8	51.6	-	51.6
Amortisation of acquired intangibles and goodwill		(19.4)	-	(19.4)	(33.7)	-	(33.7)
Impairment of goodwill, intangibles and investments	4	-	(5.1)	(5.1)	-	(7.9)	(7.9)
Impairment of property plant and equipment	4	-	-	-	-	(0.4)	(0.4)
Adjusting items	4	-	(26.9)	(26.3)	-	(19.3)	(19.3)
Operating Profit/(Loss)	**3**	**42.4**	**(32.0)**	**10.4**	**17.9**	**(27.6)**	**(9.7)**
Finance income	6	1.4	-	1.4	1.2	-	1.2
Finance costs	6	(88.5)		(88.5)	(77.0)	-	(77.0)
Other gains and losses	6	6.5	-	6.5	-	-	-
Net finance costs		**(80.6)**	**-**	**(80.6)**	**(75.8)**	**-**	**(75.8)**
Loss Before Taxation		**(38.2)**	**(32.0)**	**(70.2)**	**(57.9)**	**(27.6)**	**(85.5)**
Taxation (charge)/credit	7			(1.3)			1.3
Loss For The Year				**(71.5)**			**(84.2)**
Loss Attributable to:							
Owners of the Company				(71.5)			**(84.2)**
Other Comprehensive Income:							
Items that may be subsequently reclassified to profit or loss:							
Loss for the year				(71.5)			(84.2)
Exchange differences on translation of foreign operations				-			0.1
Total Comprehensive Loss for the Year				**(71.5)**			**(84.1)**

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023

	NOTE	2023 £'M	2022 £'M
Non-current assets			
Goodwill	9	254.0	253.9
Other intangible assets	12	174.6	195.7
Property, plant and equipment	13	54.6	50.0
Investment in associates	10	-	-
Interest in joint ventures	11	9.4	-
Deferred tax assets		2.5	2.8
		495.1	**502.4**
Current assets			
Inventories	14	0.1	0.1
Trade and other receivables	15	69.6	71.0
Derivative financial instruments	20	5.0	0.7
Cash and cash equivalents	16	63.4	53.2
		138.1	**125.0**
Total Assets		**633.2**	**627.4**
Current liabilities			
Loan and borrowings	18	(5.3)	(5.4)
Trade and other payables	17	(211.1)	(174.0)
Provision for liabilities	19	(2.8)	(2.5)
		(219.2)	**(181.9)**
Non-current liabilities			
Loan and borrowings	18	(986.2)	(949.7)
Provision for liabilities	19	(4.4)	(3.8)
Deferred tax	21	(39.8)	(41.3)
		(1,030.4)	**(994.8)**
Total Liabilities		**(1,249.6)**	**(1,176.7)**
Net Liabilities		**(616.4)**	**(549.3)**
Equity			
Share capital	22	7.8	1.0
Translation reserve	23	(1.2)	(1.4)
Share based payments reserve	22	1.8	4.4
Retained earnings	23	(624.8)	(553.3)
Equity attributable to owners of the Company		**(616.4)**	**(549.3)**

The consolidated financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 30 November 2023. Signed on behalf of the Board of Directors by:

Nathan Runnicles,

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2023

	SHARE CAPITAL £'M	TRANSLATION RESERVE £'M	SHARE BASED PAYMENTS RESERVE £'M	RETAINED EARNINGS £'M	ATTRIBUTABLE TO OWNERS OF THE COMPANY £'M
As at 31 May 2021	**1.0**	**(1.5)**	**1.8**	**(469.1)**	**(467.8)**
Loss for Year	-	-	-	(84.2)	(84.2)
Other comprehensive income	-	0.1	-	-	0.1
Total Comprehensive Loss for the Year	**-**	**0.1**	**-**	**(84.2)**	**(84.1)**
Share based payment	-	-	2.6	-	2.6
As at 31 May 2022	**1.0**	**(1.4)**	**4.4**	**(553.3)**	**(549.3)**
Loss for Year	-	-	-	(71.5)	(71.5)
Other comprehensive income	-	0.2	-	-	0.2
Total Comprehensive Loss for the Year	**-**	**0.2**	**-**	**(71.5)**	**(71.3)**
Ordinary share issue	6.8	-	-	-	6.8
Share based payment	-	-	(2.6)	-	(2.6)
As at 31 May 2023	**7.8**	**(1.2)**	**1.8**	**(624.8)**	**(616.4)**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2023

	NOTE	2023 £'M	2022 £'M
Net cash inflow from operating activities	29	**85.8**	**63.9**
Cash flows from financing activities			
Repayment of debt		(27.8)	(15.0)
Repayment of lease liabilities[1]		(6.7)	(8.3)
Interest paid		(25.9)	(16.9)
Net cash outflow from financing activities		**(60.4)**	**(40.2)**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(17.3)	(20.3)
Dividend from investment		-	0.2
Acquisition of subsidiaries, net of cash acquired		-	(26.0)
Interest received		1.4	0.5
Net cash outflow from investing activities		**(15.9)**	**(45.6)**
Increase/(decrease) in cash and cash equivalents		**9.5**	**(21.9)**
Cash and cash equivalents, beginning of year		53.2	75.1
Foreign currency movements		0.7	-
Cash and cash equivalents, end of year	16	**63.4**	**53.2**

[1] Includes £1.9m of interest paid on lease liabilities (2022: £2.2m)

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 techni- cal 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 RECOGNITION (CONTINUED)

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.

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 develop- ment 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

TAXATION (CONTINUED)

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 rec- ognised 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 administra- tion 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 carrying value of the asset with no impairment being recognised) 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).

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, including an amount for wear and tear costs which are likely to be incurred throughout the lease term.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

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 ma- turity is less than three months.

TRADE AND OTHER RECEIVABLES

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

PENSION COSTS AND OTHER POST RETIREMENT BENEFITS

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

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 com- ponents 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 or 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 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 appropri- ate, 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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its re- tained 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 ASSETS AND LIABILITIES (CONTINUED)

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 positive trading progress and balance sheet strength in the year ended 31 May 2023 allowed the Group to repay £30.0m of its term loan and end the year with cash of £63.4m.

The forecasting process undertaken by the Directors recognises the inherent uncertainty of the current economic environment where inflationary and recessionary risks are heightened. The Directors believe, given Group performance across the recent economic pressures, 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.

In October 2023 the Group entered into a new financing agreement with a term loan of £265m and revolving credit facility of £40m. The facilities are in place until October 2029 and April 2029 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

GOING CONCERN (CONTINUED)

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.

ADJUSTING ITEMS

Adjusting 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.

Adjusting items are recognised in the income statement in the period they are incurred and are presented in the middle column of the income statement as their separate presentation enhances the understanding of the performance of the Group.

Items classified as adjusting are as follows:

Acquisition and disposal related costs

The Group has incurred professional costs associated with the prior year acquisition of Circus Street London Limited. In addition, the acquisition includes deferred consideration which is subject to ongoing employment obligations which results in the costs being recognised in the Consolidated Income Statement over time.

The Group also incurred disposal costs related to the Group's review of the divestment options for it's trading businesses.

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 adjusting items to provide a more comparable view of the business's performance.

Refinancing costs

The Group incured expenses associated with both the buy-back of loan notes during the year in addition to due diligence costs incurred as part of the refinancing of long term debt which occurred post year end.

Restructuring costs

Restructuring costs of £3.9m (2022: £1.3m) have been incurred in the year as a result of a restructuring of the Group's Talent business and changes made to the Group's Exec as set out on page 11.

Property 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.

Strategy and Integration expenses

During the year, the Group incurred expenses as part of its integration of people and systems. This includes integration of platform and customer relationship management systems.

Cyber related costs

The Group has net income of £1.0m (2022: £1.9m costs) in the year related to the Cyber incident in September 2021. The income in the year relates to costs reimbursed by insurers. These one-off costs are significant in size and will not be incurred under the ongoing structure or operating model of the Group.

Share based payment cost

The Group issued share options to employees during the year as set out in note 22. The Group valued these share options and recognised a cost of £1.8m in the year.

Other specific items

Other specific items (including property rental costs during periods where they are not used for operational purposes) are recorded in adjusting 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 am- ortised until the products or technologies are com- mercialised 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 indica- tion exists that an asset might be impaired.

During the year the Group has expended £1.0m (2021: £0.5m) of research and development expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

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 account- ing estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

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.

Critical accounting judgements

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

Adjusting items

The Directors make material critical judgements when assessing which items to classify as adjusting items. Adjusting 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 2023 unusual items included costs related to acquisitions and disposals and strategic reviews.

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.

Higher education provisions

A key judgment in calculating the revenue and bad debt provisions within the higher education business is using historical data to predict future defaults or student drop out rates. If the actual experience differs from the assumptions in the provision, this could result in a material difference to the revenue recognised in the higher education business.

2. REVENUE

All revenue was primarily derived from sales in the United Kingdom and the United States 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.

	2023 £'M	2022 £'M
UK	322.1	297.2
USA	24.6	18.8
Other	4.5	2.1
Revenue before deferred income adjustment	**351.2**	**318.1**
Deferred income adjustment	(0.2)	(2.4)
Revenue	**351.0**	**315.7**

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:	NOTE	2023 £'M	2022 £'M
Depreciation - owned assets	13	2.9	5.0
Depreciation - right of use assets	13	4.9	6.4
Amortisation of intangibles	12	30.6	41.0
Training materials	14	5.5	4.2
Staff costs	5	163.2	136.0
Adjusting items	4	32.0	27.6
Research costs		1.0	1.0
Insurance recoveries - cost of sales *		-	(2.8)
Insurance recoveries - adminstration expenses *		-	(1.6)

* In the prior year the Group has incurred adjusting items of £3.5m due to the cyber incident, £1.6m of which was reimbursed by the Group's insurers during 2022 with a further reimbursement of £1.2m in 2023. The adjusting credit of £1.0m (2022: £1.9m charge) as set out in note 4 is presented net of this recovery. In addition the Group received a payment of £0.9m (2022: £1.8m) from its insurers for business interuption (lost gross margin) suffered during the incident.

The analysis of auditor's remuneration is as follows:

Subsidiary audit fees	0.4	0.3
Total audit fees	**0.4**	**0.3**
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 2023 were less than £0.1m and this was also the case in the prior year ended 31 May 2022. 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. ADJUSTING ITEMS

	2023 £'M	2022 £'M
Acquisitions and disposals	16.2	13.9
Refinancing	3.9	-
Restructuring	3.4	1.3
Strategy and integration	1.5	1.9
Property expenses	-	0.3
Cyber related costs	(1.0)	1.9
Share based payment cost	1.8	-
Other specific items	1.1	-
Adjusting items excluding impairment of goodwill, property, plant equipment	**26.9**	**19.3**
Impairment/accelerated depreciation of Right of Use Assets and Leasehold Improvements	-	0.4
Impairment of investments (note 10)	-	1.2
Impairment of intangibles (note 12)	5.1	1.6
Impairment of goodwill (note 9)	-	5.1
Total adjusting items	**32.0**	**27.6**

Acquisition costs relates to the prior year acquisition of Circus Street London Limited. During the year the Group incurred costs exploring the divestment options for it's trading businesses.

The Group incured expenses associated with the £30.0m debt repayment and due diligence costs incurred as part of the refinancing of long term debt which occurred post year end.

Restructuring costs of £3.4m (2022: £1.3m) have been incurred in the year as a result of the restructuring of the Group's Talent business and changes made to the Group's Executive Team as set out on page 11.

The Group rationalised its property portfolio in prior years; accelerating the costs of exiting those properties.

The Group has net income of £1.0m (2022: £1.9m costs) in the year related to the Cyber incident in September 2021. The income in the year relates to costs reimbursed by insurers.

There was an impairment/accelerated depreciation in 2022 of £0.4m 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 of £5.1m (2022: £1.6m) relating to software that was assessed to have £nil value following changes to the Group's technology strategy. In 2022 goodwill was impaired by £5.1m, see note 9. Further the Group's investment has been impaired by £nil (2022: £1.2m), see note 10.

Other specific items include legal and professional costs, in relation to significant non-recurring projects. The most significant of these being the strategic pricing review by specialists Pearson Ham for the higher education business.

5. STAFF COSTS

	2023 £'M	2022 £'M
Wages and salaries	142.9	120.4
Social security costs	15.3	12.0
Pension costs	5.0	3.6
Total staff costs	**163.2**	**136.0**

Staff costs include redundancy and other adjusting items of £3.8m (2022: £8.7m). 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:

	2023 NO.	2022 NO.
Learning, teaching and consulting services	1,012	946
Sales and administration	1,697	1,458
Total employees	**2,709**	**2,404**

Directors' Remuneration	2023 £'M	2022 £'M
Directors' emoluments	0.7	0.4
Directors' pension contributions to money purchase pension schemes	-	-
Total	**0.7**	**0.4**
Information regarding the highest paid Director is as follows:	**2023 £'M**	**2022 £'M**
Emoluments	0.7	0.4
Number of Directors accruing pension benefits:	**2022 NO.**	**2022 NO.**
Money purchase schemes	1	1

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.

NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

6. FINANCE INCOME, COSTS AND OTHER GAINS AND LOSSES

Finance Income:	2023 £'M	2022 £'M
Bank interest receivable	1.4	0.5
Fair value movement on derivatives*	-	0.7
Total finance income	**1.4**	**1.2**

Finance Costs:		
Bank loan interest	25.9	18.6
Interest on shareholder loan notes	60.4	55.4
Interest on lease liability	2.2	3.0
Total finance costs	**88.5**	**77.0**

Other Gains and Losses:		
Net gain arising on derecognition of financial liabilities measured at amortised cost	2.2	-
Fair value movement on derivatives*	4.3	-
Total other gains and losses	**6.5**	**-**

* 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 £5.0m in the Statement of Financial Position as at 31 May 2023 (2022: £0.7m). 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	2023 £'M	2022 £'M
UK corporation tax	4.7	5.6
Adjustment in respect of prior periods	(2.1)	0.9
Total	**2.6**	**6.5**
Deferred Tax		
Origination and reversal of timing differences	(3.8)	(6.1)
Adjustment in respect of prior periods	0.2	(0.2)
Effect of change of tax rates	2.3	(1.5)
Total	**(1.3)**	**(7.8)**
Total Income Tax Charge/(Credit)	**1.3**	**(1.3)**

During the year ended 31 May 2023 UK Corporation tax has been calculated at a blended rate of 20% (being 19% until 31 March 2023 and 25% thereafter) on estimated assessable profits for the year.

7. TAXATION (CONTINUED)

Factors affecting the tax charge.

The tax charge for the year can be reconciled to the loss per the income statement as follows:

	2023 £'M	2022 £'M
Loss before tax	(70.2)	(85.5)
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2022: 19%):	(14.0)	(16.2)
Effects of:		
Expenses not deductible for tax purposes (including interest)	20.8	17.8
Impairment of goodwill	-	1.0
Joint venture profits taxed in joint venture entity	(2.2)	-
Effect of overseas tax rates	(3.8)	(4.9)
Effect of changes in tax rate	2.4	(1.5)
Adjustment in respect of prior periods	(2.0)	0.7
Deferred tax not recognised	0.1	1.8
Tax on loss	**1.3**	**(1.3)**

The tax charge in the current year is higher (2022: higher) than the standard tax as a result of the level of the Group's disallowable expenses, related principally to interest which is non-deductible under the Corporate Interest Restriction rules.

8. DIVIDEND PAID AND PROPOSED

No dividends have been paid or proposed by the Group or the Company (2022: nil).

9. GOODWILL

Cost	£'M
At 31 May 2021	**456.1**
Arising on acquisition (note 11)	15.9
Exchange differences	1.1
At 31 May 2022	**473.1**
Exchange differences	0.1
At 31 May 2023	**473.2**

Impairment	
At 31 May 2021	**(214.1)**
Impairment losses for the year	(5.1)
At 31 May 2022	**(219.2)**
Impairment losses for the year	-
At 31 May 2023	**(219.2)**

Net Book Value	
At 31 May 2022	**253.9**
At 31 May 2023	**254.0**

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. The carrying value of goodwill is compared to its recoverable value:

	2023 £'M	2023 £'M	2023 £'M	2022 £'M	2022 £'M	2022 £'M
	Goodwill	Other Assets	Total Carrying Value	Goodwill	Other Assets	Total Carrying Value
Learning	156.0	63.2	219.2	155.9	74.5	230.4
Funded Learning	46.1	21.8	67.9	46.1	10.5	56.6
Circus Street	15.9	(3.0)	12.9	15.9	(2.5)	13.4
Higher Education	36.0	(39.1)	(3.1)	36.0	(27.9)	8.1
Total	**254.0**	**42.9**	**296.9**	**253.9**	**54.6**	**308.5**

9. GOODWILL (CONTINUED)

The recoverable amount of each segment was determined based on value-in-use calculations, covering a detailed four-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 £nil (2022: £5.1m) arose from this review.

Recoverable amount of each CGU	2023 £'M	2022 £'M
Learning	365.9	457.4
Funded Learning	154.7	150.2
Talent	-	-
Circus Street	52.1	77.9
Higher Education	443.8	229.8

Growth rates

Terminal value has been calculated using a long term growth rate of 3% per annum (2022: 3%), in line with the target long term inflation rates expected for the sector.

Discount rates

The pre tax discount rate applied is 14.9% (2022: 15.6%). 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 above.

	GROWTH RATE		DISCOUNT RATE		CASHFLOW	
	+1%	-1%	+2%	-2%	+10%	-10%
Learning	33.9	(27.7)	(65.6)	98.9	36.6	(36.6)
Funded Learning	14.6	(11.9)	(29.2)	44.2	15.5	(15.5)
Circus Street	5.9	(4.8)	(11.1)	16.8	5.2	(5.2)
Higher Education	44.3	(36.1)	(76.6)	115.4	44.4	(44.4)

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 2023.

10. INVESTMENTS

Cost	INVESTMENTS IN ASSOCIATE £'M
At 31 May 2021, 31 May 2022 and 31 May 2023	**1.8**
Impairment	
At 31 May 2022 and 31 May 2023	**1.8**
Net Book Value	
At 31 May 2022 and 31 May 2023	**-**

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 £nil (2022: £0.2m) in respect of its investment in CPI Limited (Hong Kong). In the prior year, the Group impaired the value of the investment to nil reflecting the uncertainty over receipt of further dividends.

11. JOINT VENTURES

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Principal place of business	Proportion of ownership interest and voting rights held by the Group 2023	2022
Northumbria London Campus Limited	Provision of Higher Education Services	England	Sutherland Building, Nortumbria University, Ellison Place, Newcastle Upon Tyne, England NE1 8ST	49.9%	49.9%
Roehampton Pathway Campus Ltd	Provision of Higher Education Services	England	Grove House, Roehampton Lane, London United Kingdom SW15 5PJ	49.9%	49.9%
Branch Campus (London and Birmingham) Limited NI	Provision of Higher Education Services	Northern Ireland	Murray House, 4 Murray St., Belfast, Northern Ireland BT1 6DN	49.9%	49.9%
Solent Pathway Campus Limited	Provision of Higher Education Services	England	Finance Services, East Park Terrace, Southampton, Hampshire, England SO14 0YN	49.9%	49.9%

The above joint ventures are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies on page 64.

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts in joint ventures financial statements prepared in accordance with IFRS Accounting Standards.

11. JOINT VENTURES (CONTINUED)

Northumbria London Campus Limited	2023 £'M
Current assets	43.6
Current liabilities	(34.0)
Net Assets	**9.6**
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	0.3

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements.

Northumbria London Campus Limited	2023 £'M
Net assets of joint venture	9.6
Proportion of the Group's ownership interest in the joint venture	4.8
Profit attributable to the Group	4.6
Carrying amount of the Group's interest in the joint venture	9.4

12. OTHER INTANGIBLE ASSETS

	CUSTOMER RELATIONSHIPS £'M	TRADENAME £'M	CONTENT AND MATERIALS £'M	SOFTWARE AND DEVELOPMENT COSTS £'M	TOTAL £'M
Cost					
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**
Additions from development	-	-	-	14.9	14.9
Disposals	-	-	-	(1.5)	(1.5)
Exchange differences	-	-	0.1	0.6	0.7
At 31 May 2023	**285.8**	**20.7**	**17.3**	**51.3**	**375.1**
Amortisation					
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**
Charge for year	16.3	0.9	2.2	11.2	30.6
Disposals	-	-	-	(1.5)	(1.5)
Impairment	-	-	-	5.1	5.1
Exchange differences	-	-	0.1	0.9	1.0
At 31 May 2023	**146.2**	**7.4**	**13.1**	**33.8**	**200.5**
Net Book Value					
At 31 May 2022	**155.9**	**14.2**	**6.4**	**19.2**	**195.7**
At 31 May 2023	**139.6**	**13.3**	**4.2**	**17.5**	**174.6**

There was an impairment charge relating to intangibles of £5.1m (2022: £1.6m) relating to software that was assessed to have £nil value following changes to the Group's technology strategy.

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 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**
Additions	8.4	2.9	1.1	12.4
Disposals	(13.3)	(3.9)	(0.4)	(17.6)
At 31 May 2023	**62.3**	**20.5**	**20.6**	**103.4**
Depreciation				
At 31 May 2021	**27.5**	**11.1**	**12.6**	**51.2**
Disposals	(4.2)	-	(0.2)	(4.4)
Charge for period	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**
Disposals	(13.3)	(3.9)	(0.4)	(17.6)
Charge for period	4.9	0.9	2.0	7.8
Impairment of assets	-	-	-	-
At 31 May 2023	**21.3**	**10.5**	**17.0**	**48.8**
Net Book Value				
At 31 May 2022	**37.5**	**8.0**	**4.5**	**50.0**
At 31 May 2023	**41.0**	**10.0**	**3.6**	**54.6**

During the year the Group has recognised a cost of £8.7m (2022: £9.4m) in respect of leases including depreciation of £6.4m (2022: £6.4m) and interest of £2.3m (2022: £3.0m).

14. INVENTORIES

	2023 £'M	2022 £'M
Training material and goods for resale	0.1	0.1

In 2023, training materials of £5.5m (2022: £4.2m) 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 (2022: £nil).

15. TRADE AND OTHER RECEIVABLES

	2023 £'M	2022 £'M
Amounts falling due within one year		
Trade receivables	39.6	46.6
Accrued income	11.1	12.7
Corporation tax	5.2	-
Prepayments	13.7	11.7
Total	**69.6**	**71.0**

No interest is charged on outstanding trade receivables. Trade receivables are stated after a provision of £8.0m (2022: £7.6m). Accrued income includes £2.0m (2022: £2.2m) 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, £1.1m (2022: £1.7m) 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.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade Receivables

("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 defines default of 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. The Group will then write off the trade receivable balance. None of the trade receivables that have been written off is subject to enforcement The Group defines default of 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. The Group will then write off the trade receivable balance. 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 2023 £'M	LIFETIME ECL 2023 £'M	NET CARRYING AMOUNT 2023 £'M
Not past due	31.2	(2.7)	28.5
< 30 days past due	7.0	(0.4)	6.6
30 - 60 days past due	1.6	(0.1)	1.5
60 - 180 days past due	7.8	(4.8)	3.0
Total	**47.6**	**(8.0)**	**39.6**

	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

16. CASH AND CASH EQUIVALENTS

	2023 £'M	2022 £'M
Cash at bank and in hand	63.4	53.2
Cash and cash equivalents in the statement of cash flows	**63.4**	**53.2**

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

	2023 £'M	2022 £'M
Amounts falling due within one year		
Trade payables	17.1	19.2
Social security and other taxes	8.9	8.7
Amounts owed to Group undertakings	2.0	3.8
Corporation tax	-	0.4
Other creditors	54.3	28.4
Accrued expenses	34.6	27.7
Deferred income	94.2	85.8
Total	**211.1**	**174.0**

Amounts owed to Group undertakings due within one year are repayable on demand, are unsecured, and attract no interest. Other creditors includes £34.0m (2022: £11.8m) of payables to related parties. Accruals include £nil (2022: £3.8m) of payable to related parties. See note 28.

Other creditors includes £11.9m (2022: £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 employment cost as the earnout is subject to shareholders remaining as an employee of the Group. This is recognised over the employment period.

18. LOAN AND BORROWINGS

	CURRENT 2023 £'M	NON-CURRENT 2023 £'M	TOTAL 2023 £'M	CURRENT 2022 £'M	NON-CURRENT 2022 £'M	TOTAL 2022 £'M
Bank loans	-	288.7	288.7	-	317.2	317.2
Shareholder loans	-	650.6	650.6	-	589.4	589.4
Lease liabilities	5.3	46.9	52.2	5.4	43.1	48.5
	5.3	**986.2**	**991.5**	**5.4**	**949.7**	**955.1**

Bank loans in place at the reporting date represent a revolving credit facility, which was repayable within one year, and attracted interest at SONIA +3.0% (2022: 3.5%). The facility was available until 2023. Non-current bank loans represented a term loan facility which was repayable in 2024, and attracted interest at SONIA +4.75% (2022: 4.75%). Shareholder loans are repayable in 2047 and attract interest at a rate of 10.0% (2022: 10.0%). Included within shareholder loans is capitalised interest of £288.7m (2022: £227.5m). The bank loans were secured via a fixed and floating charge over all of the assets of the Group. The bank loans were refinanced in October 2023, see note 30.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

19. PROVISIONS

	2023 £'M	2022 £'M
Dilapidations		
At start of year	4.9	6.2
Utilised in the year	(0.5)	(0.5)
Recognised in the year	1.8	0.7
Released in the year	(0.4)	(1.6)
Unwind of discount on provision	0.1	0.1
Total	**5.9**	**4.9**
Onerous Contracts		
At start of year	1.4	2.5
Released in year	-	(0.1)
Utilised in the year	(0.9)	(2.4)
Recognised in the year	-	1.4
Total	**0.5**	**1.4**
Restructuring		
At start of year	-	0.1
Utilised in the year	(0.6)	-
Recognised in the year	1.4	(0.1)
Total	**0.8**	**-**
Current liabilities	2.8	2.5
Non-current liabilities	4.4	3.8
Total Provisions	**7.2**	**6.3**

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

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

Restructing provisions are for redundancy costs and are expected to be utilised within 1 year.

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

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

	2023 £'M	2022 £'M
Interest rate swap	5.0	0.7
Total	**5.0**	**0.7**

As at the balance sheet date of 31 May 2023, the value of the interest rate swap was £5.0m (2022: £0.7m).

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 the cash flows receivable under the swap are due within one year.

A credit of £4.3m (2022: £0.7m) is included within Finance Income for the year. See note 6 to the financial statements.

21. DEFERRED TAX

	2023 £'M	2022 £'M
Temporary differences	39.8	41.3
Net deferred tax liability	**39.8**	**41.3**
Movements in deferred tax liability		
Amounts brought forward	41.3	46.3
Arising on acquisition	-	3.8
Charge/(credit) for the year	(1.5)	(8.8)
Balance at end of year-deferred tax liability	**39.8**	**41.3**
Amounts brought forward	2.8	2.9
Arising on acquisition	-	0.9
Charge/(credit) for the year	(0.3)	(1.0)
Deferred tax assets	**2.5**	**2.8**

Deferred tax assets relate predominantly to fixed asset timing differences. The deferred income tax assets disclosed above are deemed to be recoverable. The majority of the deferred taxation balance is expected to reverse after more than 12 months.

The Group has an unrecognised Deferred Tax asset of £4.8m (2022: £2.2m) in respect of unrecognised tax losses as it is not expected they can be utilised in the foreseeable future. The Group does not have any unrecognised Deferred Tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

22. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each	SHARES NO.	SHARE CAPITAL £'M
At 31 May 2022	**1,000,000**	**1.0**
Issued in the year	6,787,504	6.8
At 31 May 2023	**7,787,504**	**7.8**

The Company has authorised and issued 7,787,504 (2022: 1,000,000) Ordinary shares of £1 each at par which were issued for £6,787,504 (2022: nil). Each share carries pari passu voting and distribution rights.

Share Based Payments

During to the year ended 31 May 2023, the Group issued 30,025 (2022: 14,295) shares to management. Vesting of the shares occurs at two points; 80% of the shares are vested at the balance sheet date with the remaining 20% vesting on change of control of the Group. The estimated value of the shares granted is £2.7m (2022: £0.5m).

This has resulted in a charge to the income statement in the year ended 31 May 2023 of £1.8m (2022: £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	2023 AWARDS	2022 AWARDS	2021 AWARDS	2019 AWARDS
Expected volatility	43.1%	32.2%	31.8%	32.2%
Expected term	2.0 years	4.0 years	3.0 years	3.2 years
Risk free rate	0.9-3.9%	0.7%	0.2%	0.7%
Dividend yield	0.0%	0.0%	0.0%	0.0%

22. CALLED UP SHARE CAPITAL (CONTINUED)

	SHARES 2023 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2023 £	SHARES 2022 NO.	WEIGHTED AVERAGE EXERCISE PRICE 2022 £
Outstanding at beginning of year	7,106	-	8,830	-
Granted during the year	30,025	-	14,295	-
Forfeited during the year	(1,512)	-	(3,745)	-
Vested during the year	(25,232)	-	(12,274)	-
Expired during the year	-	-	-	-
Not vested at the end of the year	**10,387**	**-**	**7,106**	**-**
Vested at the end of the year	**77,276**	**-**	**52,044**	**-**

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 £5.0m (2022: £3.6m) represent contributions payable to these schemes by the Group at rates specified in the rules of the plans. Contributions payable to the schemes at the year end were £1.5m (2022: £0.8m).

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 2023 the Group's indebtedness amounted to £991.5m including lease liabiities (2022: £955.1m) of which £650.6m (2022: £589.4m) 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 operates a centralised treasury function, features of which includes intercompany cash transfers and management of operating lease contracts.

Credit risk

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

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

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

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

25. FINANCIAL INSTRUMENTS (CONTINUED)

Price risk

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

Foreign currency risk management

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

Interest rate risk

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

Fair values of financial assets and liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL
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25. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2023 £'M	2022 £'M
Financial assets		
Amortised cost		
Cash and bank balances	63.4	53.2
Trade and other receivables	39.6	46.6
	103.0	**99.8**
FVTPL		
Interest rate swaps	5.0	0.7
Financial liabilities		
Amortised cost		
Trade and other payables	94.1	67.8
Other financial liabilities measured at amortised cost (see note 19)	939.3	906.6
	1,033.4	**974.4**
FVTPL		
Deferred consideration	11.9	7.5

26. CAPITAL COMMITMENTS

The Group has capital commitments of £0.6m (2022: £0.6m).

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 Credit Partners LLC.

28. RELATED PARTY TRANSACTIONS

Other Related Parties

Saltgate Limited ("Saltgate") is a related party by virtue of common directors. During the year the Group made purchases of £0.1m (2022: £0.1m) from Saltgate. There were no balances due from or to Saltgate at the year end.

CVC Credit Partners LLC ("CVC") is a related party by virtue of common ownership and control of the Group. Bank loans includes £9.4m (2022: £6.4m) of loans provided by funds controlled by CVC. Interest accrued on these loans in the year totalled £0.7m (2022: £0.3m).

The Company's immediate parent IndigoCyan Holdco 2 Limited has provided the Company with loans totalling £650.6m (2022: £589.4m). These loans accrued interest of £61.2m (2022: £55.4m) during the year. The Group's parent IndigoCyan Topco Limited has provided the Group with loans of £2.0m (2022: £3.8m). A net repayment of £1.8m was made during the year (2022: advance of £0.1m.

Joint Venture Partners

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 paid net interest income of £0.5m (2022: purchases £3.6m) to these joint venture partners, and made sales of £16.8m (2022: £17.0m) and received a £0.4m dividend (2022: £nil). At the balance sheet date the Group owed the joint ventures £34.0m (2022: 12.6m) included in other creditors. 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 £27.8m (2022: £41.3m) and made purchases of £9.2m (2022: £nil) and at the balance sheet date the Group owed the partners £9.2m (2022: £3.8m).

Key Management Compensation

Key management personnel are deemed to be the Directors and executive management Board. Remuneration for key management personnel is £5.1m (2022: £3.3m). Amounts payable to defined contribition schemes in respect of key management personnel are £0.1m (2022: £0.1m).

	2023 £'M	2022 £'M
Salaries and short-term benefits	4.0	3.2
Termination benefits	0.7	0.1
Share-based payment	0.4	-
Total	**5.1**	**3.3**

29. NET CASH FLOW FROM OPERATING ACTIVITIES

	2023 £'M	2022 £'M
Loss for the year	(71.5)	(84.2)
Adjustments for:		
Net finance costs	87.1	76.5
Gain on derecognition of financial liabilities	(2.2)	-
Fair value movement on derivatives	(4.3)	(0.7)
Gain on modification/disposal of lease liabilities	(0.7)	-
Depreciation	7.8	11.4
Amortisation of intangibles excluding software and development	19.4	33.7
Amortisation of intangibles relating to software and development	11.2	7.3
Impairment charges - investments	-	1.2
Impairment charges - goodwill and intangibles	5.1	6.7
Impairment charges - right of use assets and fixed assets	-	0.4
Foreign exchange - goodwill and intangibles	-	(0.8)
Share based payments	4.2	2.6
Dividends received	-	(0.2)
Income tax	1.3	(1.3)
Decrease in provisions	(2.0)	(3.3)
	126.9	**133.5**
Changes in:		
Inventories	-	-
Decrease/(increase) in receivables	6.6	(19.4)
Increase in payables	32.0	39.7
	38.6	**20.3**
Taxation paid	(8.2)	(5.7)
Net cash inflow from operating activities	**85.8**	**63.9**

29. NET CASH FLOW FROM OPERATING ACTIVITIES (CONTINUED)

Changes in liabilities arising from financing activities.

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

	AT 1 JUNE 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**

* Other changes include interest accruals and recognition of the lease liability.

	AT 1 JUNE 2022 £'M	FINANCING CASH FLOWS £'M	FAIR VALUE ADJUSTMENTS £'M	OTHER CHANGES* £'M	AT 31 MAY 2023 £'M
Bank loans	317.2	(27.8)	(2.2)	1.5	288.7
Shareholder loans	589.4	-	-	61.3	650.7
Lease liabilities	48.3	(6.7)	-	10.6	52.2
Interest rate swaps	(0.7)	-	(4.3)	-	(5.0)
Total	**954.2**	**(34.5)**	**(6.5)**	**73.4**	**986.6**

30. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

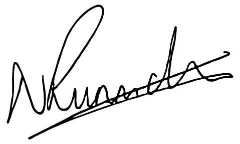
There have been no events subsequent to the balance sheet date requiring disclosure, other than the re-financing of the Group's debt facilities as set out in the CFO Statement.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2023

	NOTE	2023 £'M	2022 £'M
Assets			
Non-current Assets			
Investments	2	6.8	-
Trade and other receivables	3	1,020.0	835.8
		1,026.8	**835.8**
Current Assets			
Derivative financial instruments	5	5.0	0.7
Cash and cash equivalents		1.0	-
		6.0	**0.7**
Total Assets		**1,032.8**	**836.5**
Liabilities			
Current Liabilities			
Loan and borrowings	6	-	-
Trade and other payables	4	(4.8)	(3.8)
		(4.8)	**(3.8)**
Non-current Liabilities			
Loan and borrowings	6	(939.0)	(906.6)
		(939.0)	**(906.6)**
Total Liabilities		**(943.8)**	**(910.4)**
NET ASSETS		**89.0**	**(73.9)**
Equity			
Share capital	7	7.8	1.0
Retained earnings		81.2	(74.9)
Total Equity		**89.0**	**(73.9)**

The Parent Company's profit for the financial year was £156.1m (2022: £2.6m). The financial statements of IndigoCyan Holdco 3 Limited were approved by the Board of Directors on 30 November 2023.

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 2023

	SHARE CAPITAL £'M	RETAINED EARNINGS £'M	TOTAL EQUITY £'M
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)**
Profit for the year	-	156.1	156.1
Total comprehensive income for the year	**-**	**156.1**	**156.1**
Ordinary share issue in the year	6.8	-	6.8
As at 31 May 2023	**7.8**	**81.2**	**89.0**

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 2023, and the prior year comparative to 31 May 2022. 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. 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 application 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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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 64.

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 (2023: 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 2023 £'M	INVESTMENTS IN SUBSIDIARIES 2022 £'M
Cost		
At the start of the year	1.0	1.0
Additions	6.8	-
At the end of the year	**7.8**	**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	**6.8**	**-**

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 Holdings Limited*	England and Wales	100%	Holding company	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%	Non-trading	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%	Non-trading	Ordinary
QA Talent 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, USA				
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
QA Consulting USA Inc*	United States of America	100%	Non-trading	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

	2023 £'M	2022 £'M
Amounts falling due after one year:		
Loans to Group undertakings	1,020.0	835.8
Total	**1,020.0**	**835.8**

Loans to Group undertakings due after one year are repayable in 2047 and attract interest at a rate of 10.0% (2022: 10.0%).

During the year the Company has reassessed the recoverability of the receivables which has led to £134.3m reversal of brought forward impairment thereby increasing the value of receivables from Group undertakings. In the prior year there was a write down in the value of receivables of £20.5m.

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

	2023 £'M	2022 £'M
Amounts falling due within one year:		
Accrued expenses	2.8	-
Amounts owed to Group undertakings	2.0	3.8
Total	**4.8**	**3.8**

Amounts owed to Group undertakings due within one year are repayable on demand. Of the balance, £2.0m (2022: £3.8m) is due to IndigoCyan Topco Limited.

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:

	2023 £'M	2022 £'M
Interest rate swap	5.0	0.7
Total	**5.0**	**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 2023 £'M	NON-CURRENT 2023 £'M	TOTAL 2023 £'M	CURRENT 2022 £'M	NON-CURRENT 2022 £'M	TOTAL 2022 £'M
Bank loans	-	288.4	288.4	-	317.2	317.2
Shareholder loans	-	650.6	650.6	-	589.4	589.4
	-	**939.0**	**939.0**	**-**	**906.6**	**906.6**

Current bank loans represents a revolving credit facility, which is repayable within one year and attracts interest at SONIA +3.0% (2022: 3.5%). The facility is available until 2023. Non-current bank loans represent a term loan facility, which is repayable in 2024 and attracts interest at SONIA +4.75% (2022: 4.75%). Shareholder loans are repayable in 2047 and attract interest at a rate of 10.0% (2022: 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	2023 SHARES NO.	2023 SHARE CAPITAL £'M	2022 SHARES NO.	2022 SHARE CAPITAL £'M
At start of year	1,000,000	1.0	1,000,000	1.0
Issued for cash	6,787,504	6.8	-	-
At end of year	**7,787,504**	**7.8**	**1,000,000**	**1.0**

The Company has authorised and issued 7,787,504 (2022: 1,000,000) Ordinary shares of £1 each at par which were issued for cash. Each share carries pari passu voting rights. 6,787,504 shares have been issued during the period (2022: nil).

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

8. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There have been no events subsequent to the balance sheet date requiring disclosure, other than the re-financing of the Group's debt facilities as set out in the CFO Statement.

9. RELATED PARTY TRANSACTIONS

Saltgate Limited ("Saltgate") is a related party by virtue of common directors. During the year the Company made purchases of £0.1m (2022: £0.1m) from Saltgate. There were no balances dues from or to Saltgate as at 31 May 2023 (2022: £nil).

CVC Credit Partners LLC ("CVC") is a related party by virtue of common ownership and control of the Group. Bank loans includes £9.4m (2022: £6.4m) of loans provided by funds controlled by CVC. Interest accrued on these loans in the year totalled £0.7m (2022: £0.3m).

The Company's immediate parent IndigoCyan Holdco 2 Limited has provided the Company with loans totalling £650.6m (2022: £589.4m). These loans accrued interest of £61.2m (2022: £55.4m) during the year. The Company's parent IndigoCyan Topco Limited has provided the Company with loans of £2.0m (2022: £3.8m). A net repayment of £1.8m was made during the year (2022: advance of £0.1m).

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

2023

COMPANY INFORMATION

Registered Office
27 Esplanade
St Helier
Jersey
JE1 1SG

Solicitors

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
United Kingdom
EC4Y 1HS

Auditor

Deloitte LLP
1 City Square
Leeds
LS1 2AL