Voyage BidCo Limited

Results for the year ended 31 March 2014

Voyage Care BondCo PLC

£222,000,000 6.5% Senior Secured Notes due 2018

£50,000,000 11% Second Lien Notes due 2019

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Voyage Care BondCo PLC is a public limited company incorporated under the laws of England and Wales and is a direct wholly owned subsidiary of Voyage BidCo Limited and an indirect wholly owned subsidiary of Voyage Holdings Limited. In this annual report, ‘‘Issuer’’ refers only to Voyage Care BondCo PLC. In this annual report, ‘‘we’’, ‘‘us’’, ‘‘our’’ and the ‘‘Group’’ refer to Voyage Holdings Limited or Voyage Bidco Limited and their consolidated subsidiaries, unless the context otherwise requires. Our registered office is located at Garrick House, 2 Queen Street, Lichfield, Staffordshire, WS13 6QD and our website is www.voyagecare.com. The information contained on our website is not part of this annual report.

Executive Summary

Financial highlights

The table below summarises financial information for the year ended 31 March:

£ million	**FYE 2014**	**FYE 2013**
Turnover	196.1	181.4
EBITDA (before exceptional items)	40.5	43.9
Operating profit	20.0	20.8
Loss for the period	(2.9)	(20.9)
Cash flow from operating activities *	36.8	46.6
Net Debt:		
Senior Secured Notes	222.0	222.0
Second Lien Notes	50.0	50.0
Revolving credit facility	8.0	0.0
Unamortised original issue discount on Second Lien Notes	(0.6)	(0.7)
Gross Debt	279.4	271.3
Cash at bank and in hand	(14.7)	(15.8)
Restricted cash & deferred consideration	1.3	0.4
Total	266.0	255.9
Net Debt / EBITDA (before exceptional items) **	6.57x	5.83x

** excludes cash flows in relation to acquisitions and funding*
*** before pro-forma adjustments, permitted by the bond documentation*

Commentary on results

Strong second half operating performance, the key highlights of which are:

Performance during FYE 2014 vs. FYE 2013
- Turnover up 8.1% to £196.1 million largely driven by the ILG acquisition in March 2013
- EBITDA before exceptional items down 7.7% to £40.5 million, in line with expectations
- Like-for-like turnover growth of 0.1% to £144.5 million
- Quality scores high at 96% 4 & 5 tick compliance, 88% fully compliant
- Occupancy at 90.5%, from 90.3%
- Outreach average weekly invoiced hours increased by approximately 3,400 to 20,900 hours per week

Recent developments
- Acquired Ingleby Care in November 2013 for £5.6 million, financed by balance sheet cash
- Acquired 13 freehold properties on 31 March 2014, previously leased to the group from Quercus for £7.1m with a further £0.9m deferred for two years, financed by the RCF
- Post year-end acquired Primary Care UK for £1.1m, £0.3m post synergy EBITDA, 3.5x multiple, from free cash flow

Management changes
- Kevin Roberts appointed as Chief Executive Officer on 6 August 2013

Company Overview

We are the leading provider of care services for adults with learning disabilities and other related complex and challenging support needs across the UK, measured in terms of beds. We supported 3,007 people as at 31 March 2014. The vast majority of people we support have life-long conditions and high acuity needs, which have been assessed as either ''critical'' or ''substantial'' by Local Authorities and NHS and therefore require on-going care services to help them look after themselves. Approximately 72% of the people we support have been in our care for more than five years and certain of the people we support have been in our care for more than 20 years. Approximately 41% of the people we support are under 40 years of age, which contributes to a long average length of stay. The non-discretionary nature of such high acuity, long-term conditions, combined with the long average length of stay, provides us with visibility of expected occupancy levels and provides a degree of resilience to government spending pressures.

Of the care we provide, 95% is paid for by Local Authorities and the NHS and, as at 31 March 2014, we generated turnover from over 250 of these publicly-funded local purchasers across the UK. Our long-standing relationships with Local Authorities and the NHS are built on our strong reputation for providing quality services to the people we support. Our ''person centred'' approach to care ensures that we deliver quality, bespoke care packages tailored to the complex, high acuity care needs of the people we support. We believe this approach provides us with a competitive advantage compared to other care providers in the private sector, as evidenced by 96% of our beds achieving four or five ticks of compliance under the CQC system out of a maximum of five ticks as at 31 March 2014.

The typical person we support is between the ages of 18 and 65, has high dependency needs, allied medical needs, is highly likely to present challenging behaviour, may have difficulty communicating verbally and/or may cause harm to themselves or a member of the community without appropriate care. With approximately 8,000 staff, we strive to meet each individual's requirements and develop bespoke care packages tailored to their needs. Individual care plans are reviewed and amended on a regular basis to address changing support needs and to ensure that we continue to provide a personalised level of care that is appropriate for each individual. Due to the high acuity care needs of the people we support, we typically provide at least two support staff members for every three individuals. This level of support is reflected in our residential average weekly fee of £1,483 per person for the year ended 31 March 2014.

At 31 March 2014, we provided care to 2,341 individuals through our residential division with a total capacity of 2,565 residential beds and supported a further 666 individuals through our Outreach business. Under our residential division, care is provided either in care homes directly registered with the CQC or in communal settings generally provided by registered social landlords with the domiciliary care office registered with CQC. Our residential division does not include our Outreach services, in which care is generally provided to people in their own homes.

Led by our Chief Executive Officer, our team of four regional managing directors, two operations directors, 37 operations managers and approximately 300 home managers typically undertake a series of audits / quality reviews on a quarterly cycle, which incorporate a review of all service records including compliance, regulatory reporting, health and safety, human resources and finances of the people we support. The Audit and Governance processes have been refreshed and improved during FY14. Our Quality and Compliance team are now independent of Operations and report through the Head of Quality, Safety and Governance to our Director of Quality and Improvement. The Director of Quality and Improvement reports directly to our Chief Executive Officer and is responsible for providing the business with a robust quality framework and risk assurance program, whilst identifying and delivering our improvement and transformation activities.

We are constantly developing our quality assurance programmes to ensure that we have measures in place to address quality concerns and regulatory requirements. We have recently implemented a Weekly Service Report process to gain even better quality assurance data in a timely fashion. We receive real time alerts of incidents, complaints and accidents, these are instantly communicated to our operations teams for swift action and the analysis of the root causes of cases are undertaken at Governance reviews. The improvement work for the group is determined on the basis of risk and key legislation changes and is prioritised through our Governance reviews. Our four managing directors report to the Chief Executive Officer and are each responsible for an average of nine operations managers and have a combined experience of more than 90 years in the provision of care to people with learning disabilities.

Our Operations teams, led by the Managing Directors have the responsibility for the delivery of quality care services and our independent quality team is responsible for providing assurance that the operations teams are providing a quality service. The Regulatory and Registration function provides oversight and management of the Registrations for both Managers and services and provides a key link with information that is being sent to the regulators.

We drive a culture of openness and honesty throughout the business and feedback (good and bad) is encouraged. The feedback is encouraged and acted upon from families, people we support, staff and other people who have feedback for us. We have a feedback mechanism for whistleblowing where people's anonymity is preserved.

We strive to deliver high quality ''person centred'' outcomes for the people we support. For example, based on individual feedback from the people we support, we prepare personalised profiles for each person that summarise important information about their personal preferences, including what is important to them and how best to support them. These profiles are prepared and made available to our support staff in order to assist them in maintaining a ''person centred'' approach to each individual.

Our services

Our focus on quality of care services is core to all of our operations. The learning disability sector in which we operate is both highly regulated and fragmented. We are one of the few providers operating exclusively in this sector and specialising in providing care support for people with complex, high acuity support needs. Our business is aligned into two divisions based on the type of setting in which care is provided, a registered environment where the home is directly registered with CQC and Supported Living (including Outreach) where the domiciliary care office is registered with the CQC.

Our business divisions complement the regulatory and delivery models of our services. Our divisions are as follows:

- ***Registered***

  We provide care to individuals in our 291 registered homes as at 31 March 2014. We hold the freehold interest in 245 of our registered homes and two of our registered homes are held on a long leasehold basis (each with a lease period of over 35 years remaining), collectively representing 89% of our registered homes by number of beds. At 31 March 2014 we had 2,156 beds in our registered properties.

- ***Supported Living (including Outreach)***

  Communal Supported Living: We provide care to individuals living in communal accommodation generally provided by registered social landlords that are registered with the Homes and Communities Agency, housing associations or private landlords. At 31 March 2014, we provided services in 107 Communal Supported Living locations with 409 beds.

  Together, our Registered and Communal Supported Living divisions are known as “residential services”. We have a strong focus on providing high quality services in a manner that replicates a domestic dwelling as closely as possible. Our typical residential home has an average of 6 beds, providing a communal environment compared to larger facilities operated by some of our competitors.

  Outreach: We also care for individuals in their own homes, helping them to more independently manage their individual support needs. The outreach division has grown and delivered approximately 20,900 hours of care per week on average during FYE 2014, providing bespoke services to approximately 666 individuals, with support averaging approximately 35 hours per week per person during the year to March 2014.

Recent developments

Ingleby Care

On 22 November 2013, we acquired Ingleby Care for £5.6 million including fees, working capital adjustments and after taking into account cash balances acquired. Its 3 freehold and 15 leasehold homes comprise 57 beds and delivering 1,600 hours of Outreach per week, located within Warwickshire. The transaction was funded by existing cash resources. The RCF was not utilised.

Quercus

On 31 March 2014 we acquired 13 freehold properties, previously leased to the group from Quercus for £7.1m with a further £0.9m deferred for 24 months, financed by the RCF.

Primary Care UK

Post year-end, on 27 June 2014, we acquired Primary Care UK for £1.1m, £0.2m deferred until successful accession to a new framework in approximately 2 years’ time, £0.3m post synergy EBITDA, 3.5x multiple.

Organisational developments

Kevin Roberts (Chief Executive Officer)

Kevin joined Voyage Care in April 2013 from Four Seasons Health Care (“FSHC”) where he was Group Strategy Director and became CEO in August 2013. Kevin is a seasoned change agent with extensive experience within regulated industries and has held senior management positions with a number of blue chip organisations including Bupa, Aviva PLC, Yorkshire Electricity PLC and PwC. Kevin coordinated one of the largest integrations in the elderly care sector following FSHC’s acquisition of 140 care homes from Southern Cross in 2011 and has represented the sector in a number of sector wide initiatives led by Care England, the Department of Health and the Association of Directors of Adult Social Services.

Employees

The employee headcount at 31 March 2014 was 7,970 and included 7,272 service managers and support staff, 115 nurses and therapists, 43 managing directors, operations directors and operations managers, 290 other service staff, and 250 central overhead staff. We have a dedicated recruitment team that applies a thorough and consistent recruitment process comprising various interview stages and reference and background checks, including a disclosure and barring service ('DBS') check to ensure we adequately evaluate candidates. In addition, we provide various on-the-job training programmes through practical and electronic learning formats to enhance the skills of our support staff. These efforts have enabled us to minimise the use of external agency staff to less than 3,000 hours per week across our services for the year ended 31 March 2014. External agency staff are independent contractors and, as such, are not our employees.

Employees involved in providing care in our registered and supported living homes, including administration staff, are trained in the support needs of the residents and emergency response techniques. Our training programmes include training designed to meet the requirements imposed by regulation and additional training designed to meet our internal quality care standards. We are statutorily required to provide training to support staff, and as part of our goal to deliver high quality care, the average length of our training programmes exceeds the national average and we provide an average of 15 days of support staff training per year. Our training programmes also go beyond statutory requirements and include service-specific and specialist training. Employee incentive plans include bonus payments, staff welfare schemes and various other programmes aimed at rewarding and motivating staff for exceptional performance. Employee pay and benefit packages are linked to their respective qualifications and the duration of their tenure with us, with wages typically increasing as staff members' length of service increases, subject to gaining training qualifications.

We believe we have relatively low staff turnover rates. While staff turnover for individuals new to the care sector is relatively high, over 75% of our service managers and support staff had been employed by us for more than twelve months at 31 March 2014. We attribute this relatively low staff turnover to the fact that we have developed a system of career progression in a supportive culture, which offers scope for additional training and development. We rely on a dedicated bank of casual workers (paid on an hourly basis as required) to provide flexible cover when required. This flexible cover allows us to provide quality care at an efficient cost.

We contribute to two government-sponsored defined benefit schemes and a number of individual pension schemes. We also contribute to an employer-sponsored defined benefit scheme. In July 2013, we began contributing to pension schemes for those employees who qualify for automatic enrolment into a workplace pension under legislation governing employee pensions. Furthermore, we have offered certain staff the chance to participate in a Group Personal Pension Plan since 1 January 2013.

Insurance

We maintain insurance of the type, and in the amounts, that we believe are commercially reasonable and appropriate for a similar business in our sector. Our insurance programme includes the following coverage: medical malpractice insurance, public liability insurance and employers' liability insurance as well as coverage for property damage and business interruption risks, directors and officers insurance, coverage for group personal accident and professional indemnity and comprehensive insurance on motor vehicles operated by our employees.

For the future, we do not anticipate a material increase in premiums but if a substantial claim did arise, or the conditions of the underwriting markets changed, this could affect the ability to obtain existing insurance programmes on the same terms, costs or at all. See ''*Risk factors related to our business—Our insurance may be inadequate, premiums may increase and, if there is a significant deterioration in our claims experience, insurance may not be available on acceptable terms*''.

Legal and regulatory proceedings

In the normal course of its business, we may be involved in legal proceedings. These fall broadly into the following three categories:

- Complaints and claims by the people we support, their family members or regulatory bodies in relation to our operations, which typically fall under our medical malpractice or public liability insurance policies.
- Complaints and claims by employees in relation to injuries sustained in the course of their employment.
- Complaints and claims from current or former employees in relation to alleged breaches of employment legislation, which do not fall under any of our insurance policies if resolved by an employment tribunal or settled privately.

In addition, a coroner's inquest (or the Welsh or Scottish equivalent thereof as applicable) may occasionally take place where there is a death of an individual at one of our homes. The police may be involved in these proceedings. We do not believe that the adverse resolution of any pending disputes, claims or litigation, individually or in the aggregate, would have a material adverse effect on our business, results of operations or financial condition. However, the result of any pending disputes or litigation cannot be predicted with any certainty. We are not currently subject to any legal proceedings that we believe to be material to our business as a whole.

Management

Board of directors

The board of Voyage Holdings Limited is composed of the following members:

Name	Job Title
Kevin Roberts	Chief Executive Officer
Andrew Winning	Chief Financial Officer
Graham Smith	Non-Executive Chair
Philipp Schwalber	Director
Andrew Land	Director

Summarised below is a brief description of the experience of the individuals who serve as members of the board of directors of Voyage Holdings Limited.

Kevin Roberts (Chief Executive Officer) joined Voyage Care in April 2013 from Four Seasons Health Care ("FSHC") where he was Group Strategy Director and became CEO in August 2013. Kevin is a seasoned change agent with extensive experience within regulated industries and has held senior management positions with a number of blue chip organisations including Bupa, Aviva PLC, Yorkshire Electricity PLC and PwC. Kevin coordinated one of the largest integrations in the elderly care sector following FSHC's acquisition of 140 care homes from Southern Cross in 2011 and has represented the sector in a number of sector wide initiatives led by Care England, the Department of Health and the Association of Directors of Adult Social Services.

Andrew Winning (Chief Financial Officer) was appointed Chief Financial Officer in February 2011. Prior to joining Voyage, Andrew completed two successful private equity exits in the multi-site leisure sector, including the sale of Unique Pub Company to Enterprise Inns plc for £2.3 billion. He also co-led a public to private exit of a 1,000 managed pub estate from Bass PLC, led two major asset backed securitisations (each of which exceeded an amount of £800 million) and completed a £176 million rights issue for Marston's PLC. Andrew is the sole director of Alfa Consulting Limited, a management consulting business owned by Andrew. This business offers no services to the Group. Over the last five years, in addition to the aforementioned directorships, Andrew was Finance Director of Marston's Pub Company (part of Marston's PLC) and a non-executive director and chair of the audit committee for a not-for-profit housing association, Heantun Housing Association Ltd. Andrew qualified as a Chartered Accountant with Coopers & Lybrand after graduating with an upper second class honours degree in Economics from Aberystwyth University.

Graham Smith (Non-executive Chair) was appointed as chairman of the board in 2006. Graham qualified as a Chartered Accountant with PricewaterhouseCoopers in London, then spent 5 years in industry before founding Goldsborough Healthcare plc in 1982. The company was subsequently listed on the London Stock Exchange in 1994 and acquired by BUPA in 1997. From 1997 to 2000 Graham was Managing Director of BUPA Care Homes during which period it became the leading care home operator in the UK. Since 2001, Graham has been involved in numerous private equity investments in the health and social care sectors both in the UK and Europe. He has extensive experience as both an executive and non-executive director of both public and private companies and charitable organisations. He is currently a non-executive director of Aston Chambers Ltd, Airedale Homes Ltd, Methodist Homes Ltd, Leeds Mind Ltd and Ilkley Players Ltd. Graham has a 2:1 honours degree from Durham University in Politics and Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Philipp Schwalber (Director) has been a director of Voyage Holdings Limited since November 2011. Philipp joined HgCapital in 2000 from Frontier Economics. Philipp sits on the boards of Casa Reha, Voyage and Mainio Vire and his investments include Mercury Pharma, DocMorris, Verigen, Castlebeck, Pharma Bio-Research and Hofmann Menu. Philipp holds an MA in Politics, Philosophy and Economics from Oxford University and an MSc in Economics from the LSE.

Andrew Land (Director) has been a director of Voyage Holdings Limited since March 2013. Andrew joined HgCapital in 2011 from Och-Ziff Capital Management, where he spent six years as a Managing Director in its private investments team. Prior to this, he spent ten years with Credit Suisse, in the Financial Institutions Group and latterly with DLJ Merchant Banking Partners. He was previously a director of Towergate Partnership, Grifols SA, Henson No.1 Ltd, Palladian Holdings, Cobra Beer Limited and Nautilus Holdings. Andrew has an LL.B. (Hons) from Edinburgh University and an MBA from INSEAD.

Senior Management Team

In addition to the Chief Executive Officer and Chief Financial Officer of Voyage Holdings Limited, the following individuals are members of the senior management team:

Name	Job Title
Rebekah Anderson	Sales and Marking Director
Peter Battle	Business Development Director
Karen Harkin	Managing Director (North)
Matthew Harper	Group Financial Controller
John McGarry	Property Director
James Poletyllo	Head of Human Resources
Wendy Salt	Managing Director (ABI & Supported Living)
Philip Sealey	Company Secretary
Charlotte Smith	Managing Director (Central)
Jayne Tarbuck	Director of Quality and Improvement
Selina Wall	Managing Director (South)

Rebekah Anderson (Sales and Marketing Director) has been the Group's Sales and Marketing Director since September 2012. Rebekah has held a number of senior positions over a 10 year period in the health and social care sector. Rebekah joined Voyage from Saga Homecare where she was the National Sales Manager for the Saga Homecare and Allied Healthcare Business. In addition she also managed the groups S.O.S. pendant alarm business.

Peter Battle (Business Development Director) joined the Group in May 2011 and led the acquisition and integration of Solor Care, ILG and Ingleby Care. Peter qualified as a Chartered Accountant with KPMG in London and practiced there for six years, before spending over two years in the New York Private Equity team and a further three years in the KPMG Birmingham office. Peter has extensive M&A experience in the UK, Europe and the USA, and has managed multi-discipline, crossborder deals for a large number of private equity and corporate clients in his time with KPMG Transaction Services. Peter has a BA in Geography from Liverpool University.

Karen Harkin (Managing Director, North) joined the Group in April 2002, and has 23 years' experience in the care sector. Karen was previously Operations Director responsible for Scotland, North East, and Teesside, and prior to this spent 10 years working for CIC, a registered charity.

Matthew Harper (Group Financial Controller) joined the Group in 2011 as Group Financial Controller. During his time with the Group, Matthew has worked on a number of key projects including the Solor Care Acquisition and bond refinancing. Matthew joined Voyage from Kier Building Maintenance, where he gained extensive experience of working with the public sector. He previously held the positions of Group Treasurer and Management Accounts Controller at Focus DIY, owned by Duke Street Capital and Apax Partners. Matthew qualified as a Chartered Accountant with KPMG after graduating with a BSc in Management Science from Swansea University.

John McGarry (Property Director) joined the Group in 2002. John has worked within the healthcare sector for over 20 years and joined Voyage from BUPA Care Services. John has a wealth of experience in both facilities management and the delivery of high quality purpose-built properties. Previous roles include development manager for the leading retirement home provider, McCarthy & Stone, together with senior positions with several main contractors. John has a BSc in Construction Management from Wolverhampton University.

James Poletyllo (Head of Human Resources) joined the Group in June 2014 and has 5 years' experience in the care sector. James brings 15 years' experience of senior change management and HR roles in a variety of industries including facilities management, local government, retail and telecoms. Prior to joining Voyage James spent 4 years working in a senior HR role for Four Seasons Healthcare.

Wendy Salt (Managing Director, ABI & Supported Living) joined the Group in July 1997, and has 28 years' experience in care sector. Wendy qualified as a social worker in 1992 and has previously worked in the public sector (NHS and social services) in residential services.

Philip Sealey (Company Secretary) joined the Group in June 1991, initially as an accountant. He managed Opportunities UK, a subsidiary providing agency staff to the care sector, from 2000 to 2009, at which point he was appointed Company Secretary. Philip is a Chartered Accountant and has a BSc in Physics and an MA in English Literature.

Charlotte Smith (Managing Director, Central) joined the Group in October 2012, and has 16 years' experience in the care sector. Charlotte's previous experience includes commissioning, development and operations. Charlotte Holds a MA in Health & Social Care and a post graduate diploma in Management in addition to being a Linguistics graduate.

Jayne Tarbuck (Director of Quality and Improvement) was appointed in February 2013 as the Group's Director of Quality and Improvement. For over 10 years Jayne has held a number of senior positions both within the health and social care sector and for large corporate, quality led, service businesses. Jayne joined from Saga Healthcare where she was the Director responsible for the quality, safety and governance functions along with other key support and customer facing services.

Selina Wall (Managing Director, South) joined the Group in August 2004 and has 27 years' experience in the care sector, 17 of which in Local Authorities and as a CQC Inspector. Selina is a registered Nurse for People with LD, has a MSc in Management and Leadership in Health & Social Care and has NVQ Level 5 in Operational Management.

Principal shareholders

General

As at 31 March 2014, all of the outstanding shares of the Issuer are held by Voyage BidCo Limited.

The capital of Voyage Holdings Limited is comprised of ordinary shares, class C preferred shares and class D preferred shares. On 7 October 2009, Voyage Holdings Limited became the holding company of the Group via a share for share exchange with the shareholders of Voyage Group Limited at such time. The holders of class A ordinary shares in Voyage Group Limited received ordinary shares in Voyage Holdings Limited. The holders of class B ordinary shares in Voyage Group Limited received class C or D preferred shares in Voyage Holdings Limited. Following this restructuring, the ordinary shares in Voyage Holdings Limited have been held by HgCapital, SL Capital Partners and certain directors, management and employees, while class C and D preferred shares are held by current and former directors, management and employees.

The breakdown of ordinary shares of Voyage Holdings Limited, as at 31 March 2014, was as follows:

HgCapital	2,581,842
SL Capital Partners	1,015,278
Current and former management, directors and employees	402,880
Total	**4,000,000**

As at 31 March 2014, there were 435,050 class C preferred shares, and 1,100,200 class D preferred shares outstanding.

The ordinary shares entitle their holders to vote at general meetings of Voyage Holdings Limited, and to receive by way of dividend any profits available for distribution, provided all amounts due or payable in respect of the class C and D preferred shares have been paid in full. On a winding up of Voyage Holdings Limited, the balance of assets, subject to special rights attached to any other class of shares, will be distributed among the ordinary shareholders. The class C and D preferred shares rank *pari passu* with ordinary shares, but holders of the class C and D preferred shares are not entitled to vote at general meetings, and have no right to receive dividends or any other distribution out of the profits of Voyage Holdings Limited available for distribution except as follows. On a liquidation or an ‘‘Exit’’ (as defined in the articles of association of Voyage Holdings Limited), the holders of class C and D preferred shares are entitled to receive an aggregate amount of up to £10 per class C preferred share and £5 per class D preferred share, in priority to holders of any other class of shares, including the ordinary shares as well as the Shareholder Loans.

Certain relationships and related party transactions

Consultancy fees

In the year ended 31 March 2014, we incurred consultancy fees of £90,000 and expenses of approximately £7,073 which were payable to Hg Pooled Management Limited.

Description of other indebtedness

Revolving Credit Facility

On 16 January 2013, we, together with the Guarantors, entered into the Revolving Credit Facility Agreement, which provides for £30 million of committed financing and £15 million of uncommitted financing, all of which can be drawn by way of loans, and a maximum aggregate amount of £20 million can be used for Letters of Credit (as defined in the Revolving Credit Facility) and a maximum aggregate amount of £20 million can be drawn by way of Ancillary Facilities (as defined in the Revolving Credit Facility Agreement), from and including the date on which all conditions precedent under the Revolving Credit Facility Agreement are satisfied. Borrowings under the Revolving Credit Facility may be used for general corporate purposes (including, for the avoidance of doubt, capital expenditure and the acquisition of any assets, shares or businesses permitted under the Revolving Credit Facility Agreement) or working capital purposes of the ''Group'' (as defined in the Revolving Credit Facility Agreement). No amounts borrowed under the Revolving Credit Facility may be applied towards prepayment, purchase, defeasance, redemption or other retirement of the Notes or the payment of any Restricted Payments including dividends or other distributions.

The parent under the Revolving Credit Facility is Voyage BidCo Limited, which is also an original borrower along with Voyage Limited, Voyage 1 Limited and Voyage Care Limited (each a ''Borrower'', together the ''Borrowers''). The Revolving Credit Facility is guaranteed by the Guarantors and the Issuer. The facility agent (the ''Agent'') under the Revolving Credit Facility is Lloyds TSB Bank plc.

Intercreditor Agreement

In connection with the entry into the Revolving Credit Facility and the Indentures, the Issuer, the Guarantors and certain other subsidiaries of Voyage BidCo Limited (the ''Parent'') entered into the Intercreditor Agreement to govern the relationships and relative priorities among: (i) the lenders under the Revolving Credit Facility; (ii) any persons that accede to the Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the ''Hedging Agreements'', the liabilities under such Hedging Agreements, the ''Hedging Liabilities'' and any persons that accede to the Intercreditor Agreement as counterparties to such Hedging Agreements being referred to in such capacity as the ''Hedge Counterparties''); (iii) the Senior Secured Notes Trustee, on its own behalf and on behalf of the holders of the Senior Secured Notes (the ''Senior Secured Noteholders''); (iv) the Second Lien Notes Trustee on its own behalf and on behalf of the holders of the Second Lien Notes (the ''Second Lien Noteholders''); (v) intragroup creditors and debtors; and (vi) certain direct or indirect shareholders of the Parent in respect of certain structural debt that the Parent or another member of the Group has incurred or may incur in the future (including any subordinated shareholder loans).

A copy of the agreement is available from the Issuer.

Shareholder Loans

Voyage MezzCo Limited has issued Series A, Series B and Series C Fixed Rate Unsecured PIK Notes as well as Series D Fixed Rate Unsecured Loan Notes (the ''Series A PIK Notes'', ''Series B PIK Notes'', ''Series C PIK Notes'' and ''Series D Loan Notes'', respectively and, together, the ''Shareholder Loans''). The Series A PIK Notes are held by HgCapital, SL Capital Partners and Graham Smith and the Series C PIK Notes are held by HgCapital and SL Capital Partners. Current and former management hold the Series B PIK Notes and the Series D Loan Notes.

Voyage MezzCo Limited issued £94,148,662 (in aggregate principal amount) of Series A PIK Notes in April 2006. The Series A PIK Notes mature in 2026. 71.7% of the outstanding Series A PIK Notes are held by HgCapital and 28.2% by SL Capital Partners with the remaining 0.1% held by Graham Smith. The interest rate on the Series A PIK Notes is 15% per annum, to be paid annually in arrears on 31 December in each year and compounding on each interest payment date. Interest is payable in cash or by the issue of additional Series A PIK Notes. An additional £175,000,000 in aggregate principal amount of Series A PIK Notes was constituted by a supplemental instrument dated 26 February 2007, which were created in order to be able to pay interest by issuing additional Series A PIK Notes from time to time.

Voyage MezzCo Limited issued £9,822,120 (in aggregate principal amount) of Series B PIK Notes in April 2006. The Series B PIK Notes mature in 2026. The Series B PIK Notes are all held by current or former management and Voyage Holdco 1 Limited. The interest rate on the Series B PIK Notes is 15% per annum, to be paid annually in arrears on 31 December in each year and compounding annually on each interest payment date. Interest is payable in cash or by the issue of additional Series B PIK Notes.

Voyage MezzCo Limited issued £39,500,000 (in aggregate principal amount) of Series C PIK Notes in June 2010. An additional £17,509,674 (in aggregate principal amount) of Series C PIK Notes was constituted and issued in April 2012, the proceeds of which were used to partially finance the Solor Care Acquisition. An additional £2,438,155 (in aggregate principal amount) of Series C PIK Notes was constituted and issued in April 2013, the proceeds of which were used to partially finance the ILG Acquisition. In addition, £380,000,000 (in aggregate principal amount) of Series C PIK Notes was constituted by a supplemental instrument dated 15 September 2010 to be able to pay interest by issuing additional Series C PIK Notes from time to time. The Series C PIK Notes mature in 2026. 71.8% of the outstanding Series C PIK Notes are held by HgCapital and the remaining 28.2% are held by SL Capital Partners. The interest rate on the Series C PIK Notes is 25% per annum, to be paid annually in arrears on 31 October in each year and compounding semi-annually on 31 April and each interest payment date. Interest shall accrue on each interest payment date but not be paid until the issuer elects to do so. Upon the issuer electing to pay any amounts of accrued interest, it has the option to pay interest due in cash or by the issue of additional Series C PIK Notes.

Voyage MezzCo Limited issued £500,000 (in aggregate principal amount) of Series D Loan Notes in June 2010 and an additional £551,000 (in aggregate principal amount) of Series D Loan Notes in April 2012, the proceeds of which were used to partially finance the Solor Care Acquisition. The Series D Loan Notes mature in 2026. The outstanding Series D Loan Notes are held by current and previous members of our management. The interest rate on the Series D Loan Notes is 25% per annum, to be paid semi-annually in arrears on 30 April and 31 October in each year and compounding semi-annually on each interest payment date. Interest shall accrue on each interest payment date but not be paid until the issuer elects to do so.

The Shareholder Loans may be redeemed by the issuer at any time and redeemed at the option of the applicable noteholder on the occurrence of certain events, including: (i) the non-payment of principal or interest on the relevant series of Shareholder Loans within 10 days of the due date; (ii) the granting of a court order or the passing of a resolution to wind up the issuer; (iii) the appointment of a trustee, administrator or administrative receiver over the issuer, its property or a subsidiary; or (iv) the issuer or a subsidiary initiating or consenting to insolvency proceedings.

The Shareholder Loans are all unsecured obligations of Voyage MezzCo Limited and not guaranteed by any other company in the Group. The Shareholder Loans are structurally subordinated to the new Revolving Credit Facility and to the Senior Secured Notes and the Second Lien Notes and are contractually subordinated to the C and D Preferred Shares. The Series C PIK Notes and Series D Loan Notes rank *pari passu* but in priority to the Series A PIK Notes and Series B PIK Notes. The Series A and Series B PIK Notes rank *pari passu*.

Risk factors related to our business

We rely on publicly-funded local purchasers in the UK, such as Local Authorities and the NHS, for substantially all our turnover and the loss or reduction of such turnover could adversely impact our business, results of operations and financial condition or prospects.

Payments for our services by UK publicly-funded local purchasers, such as Local Authorities and the NHS, account for almost our entire turnover. There is a risk that budget constraints, public spending cuts (such as the cuts to the central government contributions to Local Authorities announced by the UK government in the 2010 comprehensive spending review) or other financial pressures could cause such publicly funded local purchasers to spend less money on the type of services that we provide, or that political or UK government policy changes mean that fewer of such services are purchased by publicly funded local purchasers, which could materially reduce our turnover. Funding pressures from the Local Authorities and NHS are already in effect with most Local Authorities trying to reduce their expenditures across the spectrum. There can be no assurance that the publicly funded local purchasers that commission our services will not reduce healthcare spending or spending on the types of services that we provide, refer individuals to supported living locations rather than registered homes, or that alternative service or commissioning models for care of individuals with learning disabilities and acquired brain injury will not emerge. Any such reduction in spending or emergence of alternative service or commissioning models could have a material adverse effect on our average weekly fees and occupancy rates, which would have a corresponding negative impact on our business, results of operations and financial condition or prospects.

Any uncertainty as to political trends or changes in policies in relation to outsourcing of healthcare and social care services could cause us to delay or cancel our strategic plans and could increase the cost of implementing those plans. Budget cuts in health or social care spending or the re-provisioning of public funds to areas where we currently do not provide services could have an adverse effect on our ability to acquire new contracts and maintain or increase the fees we currently charge for our services.

The majority of our turnover is not guaranteed, being generated from spot contracts and any reduction in demand for our services could have a material adverse effect on our business, results of operations and financial condition or prospects.

As at 31 March 2014, 92% of our contracts were spot contracts for which the rates are individually negotiated and payment under such contracts is dependent on continued occupancy of beds by the people we support. Spot fees are agreed with the Local Authority or NHS based on the needs of the individual, the level of care required and the type of accommodation needed. The decision to use our services is at the sole discretion of the relevant Local Authority or NHS and there is no guarantee that previous spot market purchasing activity by a Local Authority or NHS will continue in the future. Furthermore, the terms of these contracts generally allow them to be terminated by either party with only a short notice period. Although we believe that we have strong relationships with Local Authorities and NHS generally, these existing relationships cannot be relied upon to guarantee future placements or that the existing people we support will not be referred elsewhere.

A portion of our turnover is derived from block contracts and we may be unable to renew or replace such contracts when they expire, which could adversely impact our business, results of operations and financial condition or prospects.

At 31 March 2014, we provided care to 179 individuals under various block contracts. These agreements take the form of contracts on a number of beds in our registered homes, or of contracts for the provision of care in supported living locations in which our fees are paid regardless of occupancy for the duration of the contract.

Block contracts with Local Authorities and NHS are generally declining in number due to a preference for individual care available under spot contracts. There can be no assurance that we will be able to renew our existing block contracts or to enter into alternative arrangements for those services, and after the expiration of those agreements the Local Authorities and NHS may decide to not refer individuals to us, may transfer individuals to alternative providers or may decide to hold a competitive tender process. Even if we are successful in extending current agreements or in entering into alternative arrangements, the duration of such extensions or arrangements is uncertain. Any failure to extend current agreements or to enter into alternative arrangements on comparable terms could adversely impact our occupancy rates, which may have an adverse effect on our business, results of operations and financial condition or prospects.

We are in part reliant on referrals from care managers at Local Authorities, NHS and families, and there is no guarantee that the historic or current levels of referrals will be maintained in the future.

Our business depends, in part, on care managers referring people in need of support to us for care and on families recommending our services. As such, it is important that strong relationships are fostered and maintained with these care managers, and that we maintain our reputation as a quality service provider with these care managers and families. The effectiveness of our relationships may be reduced or eliminated with changes in the personnel holding various care manager or other staff positions. We may also lose some of our key staff members who have these relationships with care managers. Care managers may decide to refer individuals elsewhere, resulting in a decrease in the number of referrals made to us. A deterioration in such relationships, a deterioration in our reputation with Local Authorities, NHS and families, or the decision by one or more care managers to refer individuals to our competitors or to stop referring them to us would have an adverse effect on our occupancy rates, which would have a corresponding negative impact on our business, results of operations and financial condition or prospects.

If our underlying input costs increase, our results of operations and financial condition could be materially adversely affected.

We have significant fixed costs including payroll, insurance and utilities costs. Payroll costs are affected by a number of factors, including the availability of qualified personnel, changes in service models and budgetary pressures. Although there has been a degree of wage restraint due to challenging economic conditions, this may not be sustainable over the long term. In addition, our annual insurance costs could also rise due to developments in the insurance market or our claims history. Rising energy costs have also had an impact on our operating profit and we believe that we will experience further increases in energy costs in the next year. There can be no assurance that wage rates, insurance costs and utility and fuel costs will not grow at a faster rate than our turnover. In such circumstances, our profitability could be materially and adversely affected. The realisation of any of these risks could have a materially adverse effect on our results of operations and financial condition or prospects.

We may not achieve fee rate increases or may suffer fee rate decreases, which could have an adverse impact on our business, results of operations and financial condition.

The weekly fee rates that we charge for our services are agreed with Local Authorities and NHS and are generally subject to annual adjustments on 1 April. In addition, our fees may be subject to review with the typical method of review being based on the care funding calculator used by Local Authorities and NHS, which is derived from data based on assumed average industry costs. Our fees may be challenged or negotiated using the care funding calculator. The current economic climate and the UK government's overriding economic policy to reduce the budget deficit means that purchasers of our services, particularly publicly-funded entities, may not agree to fee rate increases or may in fact request that our weekly fees be reduced and we may have to enter into negotiations to do so. Should the increase in our annual wages or other operating costs of the business exceed the increase in our weekly fee rates (which are the basis of our turnover), we would have to absorb such costs and this could have an adverse impact on our business, results of operations and financial condition.

Negative publicity and media coverage critical of us or our sector may harm our results.

Despite certain precautionary measures we take, from time to time, like other providers of similar services, we have experienced incidents, including medical and health and safety incidents and fatalities, which have led to negative publicity. Most of the people we support have complex conditions, are considered vulnerable and often require a substantial level of care and supervision. There is a risk that one or more people we support could be harmed by one or more of our employees or by another person or persons we support, either intentionally, through negligence or by accident. A serious incident involving harm to one or more of the people we support could result in negative publicity. Furthermore, the damage to our reputation or to the reputation of the relevant service from any such incident could be exacerbated by any failure on our part to respond effectively to such an incident. While we have implemented rigorous clinical and other governance and reporting procedures, carry out substantial employee training, employee inductions and employment reference procedures, including a criminal background check, for all frontline staff and deploy public relations resources to manage both positive and negative publicity, there can be no assurances that an event giving rise to significant negative publicity would not occur, such negative publicity could have a material adverse effect on our brand, our reputation and our occupancy rates, which would have a corresponding negative impact on our business, results of operations, financial condition or prospects.

Specifically, media coverage of the sector in which we operate has, from time to time, included reports critical of the current trend toward privatisation and the quality of service provided by certain of our competitors. In particular, media criticism of certain service providers operating in our sector could negatively impact the public's perception of our sector overall. Adverse media coverage about providers of these services in general, and us in particular, could lead to increased regulatory scrutiny in some areas (leading to higher compliance costs), and could adversely affect our brand and our ability to obtain or retain contracts.

The CQC, Local Authority or other regulatory action could also result in us ceasing to provide a service or closing a particular location because of the negative publicity such action may generate. In addition, action taken by a regulator, Local Authority or NHS in relation to one or more of our services or us directly, regardless of the substantive merit or the eventual outcome of such action, may have a material adverse effect on our reputation and our ability to attract and/or retain the people we support, expand our business or seek registration for new services, either locally or nationally.

We operate in a highly regulated business environment, which is subject to political scrutiny. Failure to comply with regulations could lead to substantial penalties, including the loss of registration on some or all of our care homes as well as damage to our reputation.

Our business is subject to a high level of regulation and oversight, in particular from the CQC, the independent regulator for health and adult social care in England. The regulatory requirements relevant to our business span the range of our operations from the initial establishment of new care homes, which are subject to registration requirements, to the recruitment and appointment of staff, occupational health and safety, duty of care to the people we support, administration of controlled drugs, clinical standards, conduct of our professional and care staff and other requirements. The regulations relating to our operations differ between England, Wales and Scotland. Inspections by regulators can be carried out on both an announced and, in most cases, an unannounced basis depending on the specific regulatory provisions relating to the different services we provide. A failure to comply with regulations, the receipt of a poor rating or a lower rating, or the receipt of a negative report that leads to a determination of regulatory non-compliance or our failure to cure any defect noted in an inspection report could result in reputational damage, fines, the revocation or suspension of the registration of any care home or service or a decrease in, or cessation of, the services provided by us at any given location. Additionally, where placements are funded by Local Authorities, such authorities monitor performance. If such authorities or the regulators find shortcomings in the quality of care, they may impose punitive measures. These can, for example, include the suspension of new placements (referred to as ''suspensions'') and, in extreme cases, removal of all individuals placed by that authority, which can have implications for the referral activity of other authorities as well. From time to time we have care homes subject to temporary suspensions and we cannot assure you that we will not be subject to further suspensions or other regulatory actions with respect to our other care homes.

The care home sector is subject to extensive and complex regulation and frequent regulatory change, especially in England. We cannot guarantee that current laws and regulations will not be modified or replaced in the future, whether in response to public pressure or otherwise. In particular, recent proposals have suggested that care home operators may be subject to review as to their business plans and financial health. Additionally, a recent UK government White Paper and draft bill propose significant future reform of the policy and regulatory framework for adult care and support. Such future developments and amendments may be more restrictive on our operations and/or costly to comply with and could have a material adverse effect on our business, financial condition or results of operations.

Quality deficiencies could adversely impact our brand, our reputation, our ability to market our services effectively and our occupancy rates, which would have a corresponding negative impact on our business, results of operations and financial condition or prospects.

Our future growth will partly depend on our ability to maintain our reputation for high quality services, and any quality deficiency could adversely impact our sales and marketing activities, as well as demand for our services. Factors such as health and safety incidents, problems with our services, negative press or general customer dissatisfaction could lead to deterioration in the level of our quality ratings or the public perception of the quality of our services, which in turn could lead to a loss of individual placements and referrals. Any impairment of our reputation, loss of goodwill or damage to the value of our brand name could have a material adverse effect on our business, occupancy rates, results of operations and financial condition or prospects.

Our ability to grow our business relies, in part, upon expansion and obtaining suitable ''bolt-on'' capacity. There can be no guarantee that sufficient expansion capacity opportunities will be available to us.

Our ability to expand our business through organic growth and to generate a satisfactory return on these investments is dependent upon many factors, including identifying geographic territories, real estate assets and areas of business where we see opportunities for growth and hiring, training and retraining qualified personnel. Delays in expansion caused by difficulties in respect of any of the above factors may lead to cost overruns and longer periods before a return is generated on an investment.

We generally develop new services by entering into agreements with third-party contractors to build or convert a care home to our specifications on land that we have purchased. Our ability to achieve our development plans depends upon a variety of factors, many of which are beyond our control, which include the possibility that we may be unable to obtain, or may experience delays in obtaining, necessary planning permissions, zoning, land use, building, occupancy, licensing and registrations with the CQC or that a contractor may encounter construction problems on-site. In addition, there is a significant opening period during which a new home operates at lower occupancy levels. Generally speaking, we expect that it will take up to 18 months from the time of opening for a new home to obtain an occupancy level comparable to our existing care homes. During this period, our results of operations could be negatively affected.

We may also add ''bolt on'' capacity by adding new beds to existing homes or by purchasing care homes from other providers. We may experience difficulty in adding ''bolt on'' capacity if care homes are unsuitable for expansion or if we are unable to obtain the required planning permission. In addition, there may be insufficient opportunities in the market to purchase care homes from individual or small-scale providers. Our ability to expand by making small acquisitions or adding bolt-on capacity is dependent on identifying suitable care homes in desirable locations. In addition acquisition opportunities may not be available on favourable terms or at all. If we are unable to expand our capacity, our ability to grow our revenue and future financial prospects may be adversely affected.

If we are unable to identify, complete and successfully integrate acquisitions, our ability to grow our business may be limited and our business, financial condition and results of operations may be adversely impacted.

Our growth has been, in part, attributable to acquisitions of other businesses or operations in sectors in which we already operate, such as the acquisitions of Solor Care (April 2012), Independent Living Group (March 2013) and more recently, Ingleby Care (November 2013), and we may make other acquisitions in the future as part of our expansion strategy. The success of our acquisition strategy depends on our ability to identify suitable acquisition targets, to assess the value, strengths, weaknesses, liabilities and potential profitability of such acquisition targets, to negotiate acceptable purchase terms and to integrate the operations of such businesses, once acquired. Our successful integration of acquired businesses will depend on our ability to effect any required changes in operations or personnel, and may require renovation or other capital expenditure or the funding of unforeseen liabilities. The integration and operation of any future acquisitions may expose us to certain risks, including difficulties in integrating the acquired businesses in a cost-effective manner, the establishment of effective management information and financial control systems, unforeseen legal, regulatory, contractual, labour or other issues arising out of the acquisitions. Any failure to identify appropriate acquisitions or to properly integrate them once acquired could have a material adverse effect on our business, occupancy rates, results of operations, financial condition or prospects. We may not be able to identify, complete and successfully integrate acquisitions in the future, and our failure to do so may limit our ability to grow our business. If we are unable to continue to acquire and efficiently integrate suitable acquisition candidates, our ability to increase our revenues may be adversely impacted.

We may become involved in legal proceedings based on negligence or breach of a contractual or statutory duty from the people we support or their family members or from employees or former employees.

From time to time, we are subject to complaints and claims from the people we support and their family members alleging professional negligence, medical malpractice or mistreatment, some of which may involve claims for substantial damages and may incur significant legal costs. Lawsuits may be filed based on these claims by any party, either individually or as a class in a class-action lawsuit. Similarly, there may be substantial claims from employees or former employees in respect of personal injuries sustained in the performance of their duties, which may be of varying types including accidental injury and immediate physical restraint injuries from physical intervention. We may also be subject to negligence and personal injury claims from third parties alleging that they have been harmed by the people we support, whether inside or outside our facilities. Although we maintain insurance coverage including medical malpractice, public liability and employers' liability, these proceedings could harm our reputation and have a material adverse impact on our business. We are not insured against current or former employees making claims against us in relation to breaches of employment legislation, wrongful discharge or discrimination. In these cases, we may incur significant legal fees in defending such proceedings or a large award of damages may be made against us. In addition, in the normal course of our business, we are subject to certain regulatory and administrative proceedings, and there can be no assurance that we will be able to successfully defend all such cases.

We may fail to deal with clinical and other waste in accordance with applicable regulations or otherwise be in breach of relevant medical, health and safety or environmental laws and regulations.

As part of our normal business activities, we create and then store clinical and other waste, which may produce effects harmful to the environment or human health. The storage and transportation of such waste is strictly regulated. Our waste disposal services are outsourced and should the relevant service provider fail to comply with these regulations, we could face sanctions or fines, which could adversely affect our brand, reputation, business or financial condition. More generally, our business is subject to laws and regulations relating to the environment and public health. If applicable laws and regulations were to become stricter, we could incur additional compliance costs, which could in turn adversely affect our business and operations.

Health and safety risks are inherent in the services that we provide and are constantly present in our services. A health and safety incident could be particularly serious as the people we support at our services are predominantly dependent persons and therefore highly vulnerable. From time to time, we have experienced, like other providers of similar services, undesirable health and safety incidents. Some of our activities are particularly exposed to significant medical risks relating to the transmission of infections or the prescription and administration of drugs for the people we support. Our activities are also exposed to risks relating to health and safety, primarily in respect of food and water quality, as well as fire safety and the risk that the people we support may cause harm to themselves, other people we support or our employees. If any of the above medical or health and safety risks were to materialise, we may be held liable, fined and any registration certificate could be suspended or withdrawn for failure to comply with applicable regulations, which may have a material adverse impact on our business, results of operations and financial condition or prospects.

Our insurance may be inadequate, premiums may increase and, if there is a significant deterioration in our claims experience, insurance may not be available on acceptable terms.

We maintain medical malpractice, public liability, employers' liability, motor fleet and property insurance, as well as insurance for certain other claims, which we believe is consistent with our sector's practice. However, claims not covered by our insurance or in excess of our insurance coverage may arise, such as property losses resulting from fire, natural disaster or other causes outside our control. Furthermore, there can be no assurance that we will be able to obtain insurance cover in the future on acceptable terms, or without substantial premium increases or at all, particularly if there is deterioration in our claims experience history. A successful claim against us not covered by or in excess of our insurance cover could have a material adverse effect on our business, results of operations and financial condition or prospects.

We operate in a competitive environment and face competition from other for-profit and not-for-profit entities for individuals requiring care as well as for appropriate sites on which to expand our care homes.

We face current and prospective competition for individuals requiring care from numerous local, regional and national providers of domiciliary and residential care. Some of our competitors are public sector bodies such as foundation trusts, which are not subject to the same economic pressures as private organisations, entities that operate on a not-for-profit basis, or charitable organisations.

We also compete for suitable sites for development opportunities and for the acquisition of existing businesses or locations. In this regard we also face competition from public sector entities that may benefit from the same advantages described above. Competition could limit our ability to attract and retain individuals requiring support and expand our business, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

The challenges we face in maintaining and growing our supported living services, and the threat of the replacement of registered homes with supported living, could negatively impact our future prospects.

We face an on-going challenge in dealing with a number of authorities who favour placing individuals with learning disabilities into supported living rather than a registered environment. The largest component of our learning disabilities service is based on a registered business model and, while we have invested in developing supported living services, we may not be able to respond quickly to an increase in demand for supported living placements and accordingly may lose existing people we support or new referrals to our competitors who can offer such placements. Even where an opportunity exists, availability of appropriate housing or an inability to find it expeditiously may impede our ability to offer supported living solutions.

Registered care home providers face the threat that increasing amounts of registered care home capacity will be replaced in the future by supported living arrangements, in which learning disabled people in need of long term care will be accommodated in flats and/or houses as tenants while receiving home care and other community based services from social services departments or independent providers, rather than living in more highly regulated care homes. Local Authorities could stipulate that future preferred provider status will be awarded to providers that have both registered and supported living services on the same site, allowing for a continuum of care based on short stays in the care home whilst preparing the individual for a more independent life in the supported living accommodation with care provided by the same familiar staff in each setting.

We depend on our ability to attract, retain and train experienced and/or qualified staff in a number of disciplines and any reduction in the number of such individuals or an increase in the wages and salaries necessary to attract and retain them could negatively impact our business, results of operations, financial condition or prospects.

We compete with various providers, including private, not for profit and public sector employers, in attracting and retaining qualified personnel. In general, we recruit such personnel from the local area where the relevant service is located. Accordingly, the availability in certain areas of suitably qualified personnel can be limited. Also, regulatory changes could require us to hire more personnel or, if we cannot find and recruit more personnel, to reduce the number of individuals cared for in a residential care home. Likewise, wage pressures due to increases in public or private sector pay could increase our operating costs and decrease our operating margins. Labour represents our highest cost and an increase in minimum wage or a discretionary pay award would increase our payroll cost. Given the high staff turnover in our sector, failure to maintain our existing staff would increase our operating costs and impact the quality of the services we provide as we spend substantial financial resources and time in training our staff. Our expansion and development could be hampered by any staff shortage and the quality of our services could be adversely affected. In addition, while we attempt to reduce our reliance on external agency staff by keeping a list of our bank of casual workers (paid on an hourly basis as required), in certain cases where this proves insufficient we are required to incur external agency costs. Failure to find or train qualified personnel at reasonable wages could have a material adverse effect on our business, results of operations, financial condition or prospects.

The senior management team is critical to our continued performance.

We rely upon the members of our senior management team and, in particular, their relationships with, and their understanding of the requirements of, the relevant regulatory authorities, our landlords and suppliers and the relevant publicly funded entities in the industry in which we operate and with which we contract to provide our services. We have put in place policies and remuneration designed to retain and incentivise management; however, there can be no guarantee that we will be able to retain and incentivise management or to find suitable replacements should any of them leave us. Should senior management leave in significant numbers or if a critical member of senior management were to leave unexpectedly, it could adversely affect our business, results of operations, financial condition or prospects.

We handle sensitive consumer data in the ordinary course of our business and any failure to maintain the confidentiality of such data could result in legal liability for, and reputational harm to, us.

We process sensitive personal data as part of our business. There is a risk that this data could become public if there were a security breach in respect of such data. While we have policies and procedures in place to prevent such breaches, if one were to occur, we could face liability under data protection laws and sanctions such as fines. We could also lose the goodwill of our clients and/or suffer damage to our brand and reputation, all of which could have an adverse effect on our business, results of operations, financial performance or prospects.

Our internal control systems may fail to prevent the misappropriation of funds or assets by our staff or by third parties.

We have implemented internal procedures to safeguard assets and manage resources. Any deficiencies or failures in such procedures, or other factors such as negligence, may have an impact on our ability to deter theft, fraud, misappropriation or embezzlement by our employees, other agents of the Group or from third parties. Moreover, the vulnerability of the people we support may create opportunities for malicious individuals to misappropriate funds or assets from the people we support. Members of staff with access to cash or other assets of the Group or, to cash, assets or belongings of the people we support may take advantage of their position to engage in unlawful activities, which could be detrimental to us, the people we support, public or private funders or third parties.

Our business could be disrupted if our information systems fail or if our databases are destroyed or damaged.

Our information technology platform supports, among other things, billing and financial information and reporting processes. Although we have taken measures to mitigate potential information technology security risks and have information technology continuity plans across our business intended to minimise the impact of information technology failures, there can be no assurance that such measures and plans will be effective. Any failure in our information technology systems could adversely impact our business and operations.

Volatility in the global capital and credit markets as well as significant developments in macroeconomic and political conditions that are out of our control could have a material adverse effect on our business, results of operations and financial condition or prospects.

Our business can be affected by a number of factors that are beyond our control such as general macroeconomic conditions, conditions in the financial services markets, geopolitical conditions and other general political and economic developments. Any increase in market volatility and liquidity disruptions in the global capital and credit markets could materially impact our ability to obtain debt financing on reasonable terms or at all. As a result, there can be no assurance that the deterioration in financial markets will not impair our ability to obtain financing in the future, including, but not limited to, our ability to incur additional indebtedness. In particular, we have historically financed the development of new locations and the modification of our existing locations through debt financing and cash flows from the business. While we intend to seek to finance new and existing developments from similar sources in the future, there may be insufficient cash reserves to fund the budgeted capital expenditure and market conditions and other factors may prevent us from obtaining debt financing on appropriate terms or at all. If conditions in the UK or the global economy remain unstable or weaken, this could materially adversely impact our occupancy rates, which would have a corresponding negative impact on our business, results of operations and financial condition or prospects.

Presentation of financial and other information

Financial data

This Annual Report includes the consolidated financial information (audited) of Voyage BidCo Limited and its subsidiaries for the financial year ended 31 March 2014 ("FYE 2014") and 31 March 2013 ("FYE 2013"), prepared in accordance with UK GAAP, and accompanying notes.

The financial statements of Voyage Holdings Limited differ from the consolidated financial data of Voyage BidCo Limited. In particular, the financial statements of Voyage Holdings Limited include the Shareholder Loans issued by Voyage MezzCo Limited. The Shareholder Loans to Voyage MezzCo Limited are outside of the restricted group that are subject to the Indentures and are therefore non-recourse to Voyage BidCo Limited and its subsidiaries. Voyage MezzCo Limited only has an indirect equity claim against Voyage BidCo Limited. Voyage Holdings Limited does not guarantee or otherwise provide credit support for the Senior Secured Notes or the Second Lien Notes.

Other financial measures

In this Annual Report, we may present certain non-IFRS and non-UK GAAP measures, including cash conversion, EBITDA, EBITDA before exceptional items, EBITDA margin, EBITDAR, EBITDAR before exceptional items, Unit EBITDA before exceptional items (each, a ''Non-UK GAAP Metric''), which are not required by, or presented in accordance with, IFRS or UK GAAP. In this annual report, where applicable, the following terms have the following meanings:

- ''cash conversion'' means EBITDA before exceptional items less maintenance capital expenditure divided by EBITDA before exceptional items.
- ''EBITDA'' means earnings before interest, tax, depreciation (including losses and profits on disposal of fixed assets) and amortisation.
- ''EBITDA before exceptional items'' means EBITDA as adjusted to remove the effects of certain exceptional charges.
- ''EBITDA margin'' means EBITDA divided by turnover.
- ''EBITDAR'' means EBITDA before rent expense.
- ''EBITDAR before exceptional items'' means EBITDA before exceptional items, before rent expense.
- ''Unit EBITDA before exceptional items'' means EBITDA before exceptional items, before overhead expenses, which we believe is a useful indicator of EBITDA on a divisional basis.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. We believe that EBITDAR is a common measure in our industry because it allows comparability across the sector for operations regardless of whether a business leases or owns its properties. We believe that EBITDA before exceptional items, EBITDAR before exceptional items and Unit EBITDA before exceptional items are relevant measures for assessing our performance because they are adjusted for certain items which, we believe, are not indicative of our underlying operating performance, and thus aid in an understanding of EBITDA and EBITDAR, respectively.

The Non-UK GAAP Metrics in this annual report are used by different companies for differing purposes and are often calculated in ways that reflect the particular circumstances of those companies. You should exercise caution in comparing the Non-UK GAAP Metrics reported by us to such metrics or other similar metrics as reported by other companies. None of our Non-UK GAAP Metrics is a measurement of performance under IFRS or UK GAAP and you should not consider those measures as an alternative to net income or operating profit determined in accordance with IFRS or UK GAAP, as the case may be. The Non-UK GAAP Metrics do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirement and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results. Our Non-UK GAAP Metrics have limitations as analytical tools, and you should not consider them in isolation.

Other data

Available beds

Our results of operations are impacted by the number of beds at certain locations as bed capacity determines the maximum number of people that can be cared for in our registered and communal supported living divisions at any given time. Numbers of beds is presented in this annual report as at the end of the relevant period unless otherwise stated.

Outreach placements

Our results of operations are impacted by the number of Outreach placements as placement capacity determines the maximum number of people that can be cared for in our Outreach division at any given time. Numbers of Outreach placements is presented in this annual report as at the end of the relevant period unless otherwise stated.

Occupancy

Occupancy presented in this annual report represents the total number of beds occupied as at the end of the relevant period unless otherwise stated.

Occupancy rates

Occupancy rates presented in this annual report represent the percentage of the total number of beds occupied as at the end of the relevant period unless otherwise stated.

Fee rates

Fee rates depend on the service that is being provided and the funder that is paying for the care package and is dependent on the nature of the pricing agreement in place. The fee rates in this report refer to average weekly fees in a given period (excluding the effect of provisions made and provisions released in the relevant period).

Adjustments

Certain numerical information and other amounts and percentages presented in this annual report have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

The abbreviation “nm” is used in this report in certain instances when a percentage variance produces an erroneous or non-meaningful result.

Management's discussion and analysis of financial condition and results of operations

Key factors affecting our results of operations

Turnover

Our turnover is primarily driven by the number of beds occupied at any given time, together with the fee rates charged for occupancy of such beds.

Available beds and Outreach placements

Changes in the number of our available beds and Outreach placements can have a significant effect on our results of operations because our capacity determines the maximum number of individuals that we can provide care to in our residential and Outreach divisions at any given time.

The average available beds and Outreach placements for the given periods are stated below:

	FYE 2014	FYE 2013
Registered	2,164	2,001
Communal supported living	373	349
Residential	**2,537**	**2,350**
Outreach placements	600	512
Total	**3,137**	**2,862**

Occupancy rate

Our occupancy rates reflect the demand for our services, which is principally driven by our relationships with Local Authorities and NHS, reputation for quality, the ability to offer bespoke and complex care packages and flexibility to adapt the environment of our registered homes to suit the individual needs of the people we support and our ability to deregister a registered care home and operate it as a communal supported living service to meet demand. In addition to occupancy rates, we formally monitor admissions, leavers and the progress of referrals for vacancies on a weekly basis in order to ensure that we efficiently manage our vacancies and maximise our earnings.

The average occupancy rates for the given periods are stated below:

	FYE 2014	FYE 2013
Registered	90.4%	90.0%
Communal supported living	91.3%	91.7%
Residential	**90.5%**	**90.3%**

Fee rates

Fee rates depend on the individual needs of the people we support, the complexity of care required and the type of accommodation needed. The majority of our contracts are spot contracts and fees are agreed with Local Authorities and NHS on an individual basis for each person we support.

Average weekly fees for residential placements and the average hourly rate for Outreach placements on a LTM basis are stated below:

		LTM March	
		2014	**2013**
Registered	£wk	1,525	1,520
Communal supported living	£wk	1,244	1,265
Residential	**£wk**	**1,483**	**1,481**
Outreach	£hr	15.34	15.41

Key operating expenses

Staff costs

Staff costs are our most significant expense and include wages and salaries, social security costs and other pension costs and cover the cost of support staff, senior support staff and unit managers and divisional heads and overhead staff costs comprising of our head office support functions. Our staff costs are affected by:

- our discretionary pay awards, which are periodic salary increases for all of our employees
- increases in the national minimum wage. However, as the majority of our staff are paid more than the minimum wage, increases in the national minimum wage have had a limited effect on our staff costs;
- increases in wage rates for staff in other service industries
- legislation governing employee pensions, in particular legislation governing the automatic enrolment of employees into a workplace pension, also impacts on our staff costs as we are required to contribute to pension schemes for qualifying employees.

		FYE 2014	FYE 2013
Staff Costs *	£m	120.5	108.4
% Turnover		61.4%	59.8%
% pre exceptional operating costs **		77.5%	78.8%

		FYE 2014	FYE 2013
Staff Costs (excluding overheads) *	£m	110.1	98.6
% Turnover		56.1%	54.4%
% pre exceptional operating costs **		70.8%	71.7%

** Staff costs stated before exceptional items*
*** Excludes depreciation and impairment of fixed assets, profit/loss on disposals of fixed assets, and goodwill amortisation.*

Other operating costs

Our other operating costs are principally comprised of operating costs to support our care homes. Key items of expenditure are occupancy-related costs such as food and consumables. Non-occupancy-related costs include rent, council tax, utilities (gas, electricity, water), property maintenance, insurance, vehicle rental and running costs.

Consolidated Profit & loss Account

£ million	FYE 2014 (audited)	FYE 2013	% Change
Turnover	**196.1**	**181.4**	**8.1%**
Staff costs	(120.5)	(108.4)	(11.2%)
Direct expenses & consumables	(8.0)	(7.1)	(12.7%)
Other lease rentals	(4.2)	(3.9)	(7.7%)
Plant & machinery	(2.9)	(2.5)	(16.0%)
Other external charges	(20.0)	(15.5)	(29.0%)
EBITDA before exceptional items	**40.5**	**43.9**	**(7.7%)**
Exceptional items	(1.3)	(2.5)	48.0%
EBITDA	39.2	41.4	(5.3%)
Depreciation & impairment of fixed assets	(16.3)	(9.1)	(79.1%)
Loss on disposal of fixed assets	(0.2)	(0.9)	77.8%
Goodwill amortisation	(2.7)	(10.6)	74.5%
Operating profit	**20.0**	**20.8**	**(3.8%)**
Interest receivable & similar income	0.0	0.1	(100.0%)
Interest payable & similar charges	(23.3)	(25.4)	8.3%
Profit / (loss) before taxation	**(3.3)**	**(4.5)**	**26.7%**
Taxation	0.4	(16.4)	102.4%
Profit / (loss) for the period	**(2.9)**	**(20.9)**	**86.1%**
Other financial metrics			
Staff costs (excluding overheads)	110.1	98.6	(11.7%)
Overhead expenses & bonus	15.0	13.7	(9.5%)
Unit EBITDA before exceptional items	55.5	57.5	(3.5%)
EBITDA before exceptional items margin %	20.7%	24.2%	(3.5%)
EBITDA margin %	20.0%	22.8%	(2.8%)
EBITDAR	43.4	45.3	(4.2%)
EBITDAR before exceptional items	44.7	47.8	(6.5%)
EBITDAR before exceptional items margin %	22.8%	26.4%	(3.6%)

Turnover

Turnover represents total fees receivable from Local Authorities and NHS for services provided to the people we support.

- For FYE 2014 turnover increased by £14.7 million, or 8.1% to £196.1 million from £181.4 million for FYE 2013, primarily due to the acquisition of ILG during March 2013 and Ingleby during November 2013. The amount of turnover attributable to ILG and Ingleby Care for FYE 2014 was £13.6 million and £1.6 million respectively.

The Solor Care Acquisition added 507 beds, contributing to an increase in average residential capacity from 1,869 to 2,350 for FYE 2013 to FYE 2014 respectively. The Solor Care acquisition has also contributed to the increase in residential average weekly fees from £1,469 for FYE 2013 to £1,481 in FYE 2014. The ILG acquisition added 170 to capacity during March 2014.

Staff costs

Staff costs consist of wages and salaries, social security costs and other pension costs.

- Staff costs (excluding overheads) for FYE 2014 increased by £11.5 million, or 11.7% to £110.1 million (which represented 56.1% of turnover) from £98.6 million (which represented 54.4% of turnover) for FYE 2013, primarily due to the acquisition of ILG during March 2013 and Ingleby during November 2013, in addition to increases in the National Minimum Wage, pensions auto-enrolment and certain pay rises.

Direct expenses and consumables

Direct expenses and consumables include direct costs incurred in operating services on a day-to-day basis, including home provisions, day care activities, registration fees and therapists particularly for those people we support with acquired brain injuries.

- For FYE 2014 direct expenses and consumables increased by £0.9 million, or 12.7% to £8.0 million from £7.1 million for FYE 2013, primarily due to the acquisition of ILG during March 2013 which accounts for £0.8 million.

Other lease rentals

Other lease rentals consist primarily of leases on registered and communal supported living care homes. At 31 March 2014, we had 65 short-term leases, consisting of 42 registered care homes and 23 communal supported living properties. In addition, two of our registered homes were held on a long leasehold basis (each with a lease period of over 35 years remaining). At 31 March 2014, 15.1% of our registered care homes and 12.3% of our communal supported living care homes were held under operating leases.

- For FYE 2014 other lease rentals increased by £0.3 million to £4.2 million from £3.9 million for FYE 2013.

Plant and machinery

Plant and machinery operating lease rentals consist primarily of motor vehicle leases. We currently lease approximately 500 vehicles, which are primarily used to transport the people we support.

- For FYE 2014 plant and machinery lease rentals increased by £0.4 million to £2.9 million from £2.5 million for FYE 2013, primarily due to the acquisition of ILG during March 2013 and the replacement of Solor Care owned vehicles with leased vehicles due to the vehicles coming to the end of their useful life.

Other external charges

Other external charges consist of indirect costs incurred in running and maintaining services, including agency costs, Local Authority rates, council tax, repairs, utilities, training and professional fees.

- For FYE 2014 other external charges increased by £4.5 million, or 29.0% to £20.0 million from £15.5 million for FYE 2013. This increase is primarily attributable to the acquisition of ILG during March 2013, in addition to increased spend on agency, repairs, contracted services, utilities, vehicle costs and professional fees.

EBITDA and EBITDA before exceptional items

EBITDA is not a recognised performance measure under UK GAAP and may not be directly comparable with similar measures used by other companies. We define EBITDA as earnings before interest, tax, depreciation and amortisation. We believe that EBITDA provides additional useful information on the underlying performance of our business. This measure is consistent with how business performance is monitored internally.

EBITDA before exceptional items

EBITDA before exceptional items consists of EBITDA as adjusted to remove the effects of certain exceptional charges.

- For FYE 2014 EBITDA before exceptional items decreased by £3.4 million, or 7.7% to £40.5 million from £43.9 million for FYE 2013. This decrease is primarily attributable to the increase in staff costs, agency costs, utilities, vehicle costs, repairs, contracted services and professional fees partially offset by the extra contribution from the acquisition of Solor Care during April 2013, ILG during March 2013 and Ingleby during November 2013.

Exceptional items

Exceptional items include certain one-off cash and non-cash, non-recurring or exceptional charges.

- For FYE 2014 exceptional items decreased by £1.2 million to £1.3 million from £2.5 million for FYE 2013. Exceptional items for FYE 2014 related to reorganisation costs incurred as a result of the Solor Care acquisition and the ILG acquisition, of which £0.3 million relates to staffing costs and £0.6 million relates to other external charges, in addition £0.4 million was incurred due to a business review. The exceptional items for FYE 2013 related to Solor Care reorganisation costs.

EBITDA

- For FYE 2014 EBITDA decreased by £2.2 million, or 5.3% to £39.2 million from £41.4 million for FYE 2013. This decrease is primarily attributable to the increase in staff costs, agency costs, utilities, vehicle costs, repairs, contracted services and professional fees, partially offset by the extra contribution from the acquisition of Solor Care during April 2013, ILG during March 2013 and Ingleby during November 2013. In addition exceptional items decreased by £1.2 million to £1.3 million from £2.5 million for FYE 2013.

Depreciation and impairment of fixed assets

Depreciation and impairment of fixed assets consists of the write off of the cost of fixed assets to their residual value over their estimated useful life.

- For FYE 2014 depreciation and impairment of assets increased by £7.2 million to £16.3 million from £9.1 million for FYE 2013, primarily due to an impairment of £6.3 million relating to 3 closed properties, in addition to the incremental depreciation as a result of the acquisition of ILG during March 2013.

Loss on disposal of fixed assets

Loss on disposal of fixed assets represents the difference between the net disposal proceeds received and the net book value of a fixed asset at the time of disposal.

- For FYE 2014 we recorded a loss on disposal of £0.2 million, primarily due to the disposal of fixed assets due to the relocation of our head office. We recorded a loss on disposal of £0.9 million for FYE 2013.

Goodwill amortisation charge

The goodwill amortisation charge consists of the write off of purchased positive goodwill over its estimated useful economic life of 20 years. Negative goodwill is included within fixed assets and released to the profit and loss account in the periods in which the fair values of non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

- For FYE 2014 goodwill amortisation expense decreased by £7.9 million to £2.7 million from £10.6 million for FYE 2013, primarily due to the ILG negative goodwill benefit and a reduction in the overall goodwill charge in the period relating to Voyage Specialist Healthcare.

Operating profit

Operating profit consists of earnings before interest and taxation.

- For FYE 2014 operating profit decreased by £0.8 million, or 3.8% to £20.0 million from £20.8 million for FYE 2013 primarily due to an impairment of £6.3 million relating to 3 closed properties. In addition there has been an increase in staff costs, agency costs, utilities, vehicle costs, repairs, contracted services and professional fees, partially offset by the extra contribution from the acquisition of Solor Care during April 2012, ILG during March 2013 and Ingleby during November 2013. There have been favourable movements due to a reduction in the overall goodwill charge relating to Voyage Specialist Healthcare and a reduction in exceptional item costs.

Interest receivable and similar income

Interest receivable and similar income consists of interest received on current account and deposit account balances.

- For FYE 2014 interest receivable and other income decreased by £35,000 to £71,000 from £36,000 for FYE 2013.

Interest payable and similar charges on bank loans

Interest payable and similar charges on bank loans primarily consist of interest payable and fees on our indebtedness under the senior facilities in existence prior to the issue of the Senior Secured Notes and Second Lien Notes (the "Senior Facilities"), as well as other finance costs including pension scheme costs accounted for under FRS17 under UK GAAP. In addition, this includes amounts payable under the Interest Rate Swap hedging the floating rate exposure on the Senior Facilities.

- For FYE 2014 interest payable and similar charges on bank loans decreased by £2.1 million to £23.3 million from £25.4 million for FYE 2013, primarily due to more favourable interest rates on the new financing arrangements and a reduction in debt cost amortisation of £1.3 million due to the remaining balances of the Senior Facilities being written off when repaid in 2013.

Interest payable on loan notes

Interest payable on loan notes primarily consist of interest payable and fees on our indebtedness under the Senior Secured Notes and Second Lien Notes.

Interest payable on intercompany balances

Interest payable on intercompany balances in the comparative period relate to intercompany interest which were eliminated in FYE 2014.

Loss before taxation

Loss before taxation represents the result of the profit and loss account before provision for taxation.

- For FYE 2014 loss before taxation decreased by £1.2 million to £3.3 million from £4.5 million for FYE 2013 primarily due to an impairment of £6.3 million relating to 3 closed properties. In addition there has been an increase in staff costs, agency costs, utilities, vehicle costs, repairs, contracted services and professional fees, partially offset by the extra contribution from the acquisition of Solor Care during April 2012, ILG during March 2013 and Ingleby during November 2013. There have been favourable movements due to a reduction in the overall goodwill charge relating to Voyage Specialist Healthcare, a reduction in debt cost amortisation and a reduction in exceptional item costs.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation movements.

- For FYE 2014 the taxation credit was £0.4 million compared to taxation expense of £16.4 million for FYE 2013. This decrease in taxes payable is primarily due to £0.4 million increase in the deferred tax asset recognised and the elimination of group relief balances of £17.4 million in FYE 2013.

Loss for the period

Profit for the period represents the result of the profit and loss account after provision for taxation.

- For FYE 2014 the loss for the period decreased by £18.0 million to £2.9 million from £20.9 million for FYE 2013 primarily due to an impairment of £6.3 million relating to 3 closed properties. In addition there has been an increase in staff costs, agency costs, utilities, vehicle costs, repairs, contracted services and professional fees, partially offset by the extra contribution from the acquisition of Solor Care during April 2012, ILG during March 2013 and Ingleby during November 2013. There have been favourable movements due to the elimination of group relief balances in the prior year, a reduction in the overall goodwill charge relating to Voyage Specialist Healthcare, a reduction in debt cost amortisation and a reduction in exceptional item costs.

Liquidity and capital resources

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations and any borrowings under our Revolving Credit Facility. Our principal uses of cash are to fund capital expenditures, provide working capital, meet debt service requirements and finance our strategic plans, including possible acquisitions. We believe that our operating cash flows and borrowing capacity under the Revolving Credit Facility is sufficient to meet our requirements and commitments for the foreseeable future.

At 31 March 2014 and 31 March 2013, our cash balances were £14.7 million and £15.8 million, respectively.

Net bank debt as at 31 March 2014 was £264.7 million, comprising £272.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £8.0m borrowing under the Revolving Credit Facility, £14.7 million of cash and £0.6 million of unamortised original issue discount on the Second Lien Notes. Within the £14.7 million cash balance is £1.3 million of restricted cash and deferred consideration.

Net bank debt as at 31 March 2013 was £255.5 million, comprising £272.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £15.8 million of cash and £0.7 million of unamortised original issue discount on the Second Lien Notes.

Consolidated Cash flow statement

£ million	**FYE 2014 (audited)**	**FYE 2013 (audited)**	**% Change**
EBITDA before exceptional items	**40.5**	**43.9**	**(7.7%)**
Exceptional items (1)	(0.3)	0.0	nm
Working capital	(3.4)	2.7	nm
Net cash flow from operating activities (1)	**36.8**	**46.6**	**(21.0%)**
Capital expenditure and financial investment (2)	(18.0)	(5.4)	nm
Returns on investment and servicing of finance	(20.8)	(21.2)	1.9%
Taxation	1.0	(0.8)	nm
Cash (outflow) / inflow before acquisitions and financing	**(1.0)**	**19.2**	**nm**
Acquisition (3)	(5.5)	(41.5)	86.8%
Acquisition funding	0.0	20.5	(100.0%)
Acquisition integration costs	(1.0)	(2.5)	60.5%
Acquisition catch-up capex	(1.6)	(1.9)	16.1%
Cash outflow before financing	**(9.1)**	**(6.3)**	**(44.7%)**
Net cash flow used in financing activities	8.0	(1.3)	nm
Decrease in cash for the period	**(1.1)**	**(7.5)**	**85.6%**
Other financial metrics			
Development capex (£m)	1.9	2.1	(9.7%)
Maintenance capex (£m)	9.1	4.2	nm
Maintenance capex (% turnover)	4.6%	2.3%	2.3%
Maintenance capex (£k pa per residential bed)	3.9	2.0	nm
Cash conversion %	77.6%	90.5%	(12.8%)

(1) Excludes cash flows in relation to acquisition integration costs.
(2) Includes service related capital expenditure and non-service related capital expenditure with respect to supporting our head office function. Excludes cash flows in relation to acquisition catch-up capex.
(3) Includes net overdraft acquired with subsidiaries

Net cash flow from operating activities

- For FYE 2014 our net cash flow from operating activities decreased by £9.8 million, or 21.0% to £36.8 million from £46.6 million for FYE 2013. The primary reasons for the decrease resulted from a £3.4 million decrease post exceptional EBITDA and a £6.1 million movement in the change in working capital.

Capital expenditure and financial investment

- For FYE 2014 our net cash flow used in investing activities increased by £12.6 million, to £18.0 million from £5.4 million for FYE 2013. The increase in spend is primarily due to the purchase of tangible fixed assets in FYE 2014, excluding acquisition catch-up capex, of £19.8 million compared to £5.7 million for FYE 2013.

Development expenditure primarily comprises build costs and other professional expenses in connection with new builds and conversions of existing homes. Maintenance capital expenditure primarily comprises purchases of new equipment and fixtures. Our future development expenditure amounts will be discretionary, and we may adjust in any period according to our strategy to continue to selectively expand capacity and evaluate opportunities that enhance our profitability. We intend to finance all of our projected capital expenditure through a combination of cash flows from operations and borrowings under our Revolving Credit Facility where necessary.

Prior to issuing the Senior Secured Notes and the Second Lien Notes, we historically funded our development capital expenditure for new care homes from our capital expenditure facility under our Senior Facilities and from the proceeds of asset disposals. Prior to 2011, we utilised our capex facility of £69 million under our Senior Facilities to develop new care homes. As a result, a significant portion of our properties are relatively new and require less maintenance capital expenditure than older homes. In addition, we employ a team of approximately 40 maintenance operatives to carry out general maintenance in our properties on a regular basis. Due to the small size and domestic nature of our care homes, we are able to carry out regular maintenance and control our expenses by using our designated team to address most maintenance concerns as they arise. Our policy of regular maintenance is aimed to ensure a consistent standard of quality across our care homes and minimises the need for significant works. We expect our capital expenditure to increase as our property portfolio ages, as more frequent and intensive maintenance will be required to maintain our current standards. In addition, our maintenance capital expenditures have increased for FYE 2014 as a result of the Solor Care Acquisition due to the mature nature of the properties acquired compared to the rest of the properties in our Group.

Net cash flow used in financing activities

- For FYE 2014 our net cash flow used in financing activities increased by £9.3 million to £8.0 million inflow from £1.3 million outflow for FYE 2013. The increase primarily due to the £8.0 million drawing on the Revolving Credit Facility. In FYE 2013 the repayment of loans and issue costs totalling £274.8 million, largely offset by the receipt of £272.0 million from loan notes issues,

Contractual obligations

The following table summarises our material contractual obligations at 31 March 2014. The following table shows the total amount payable and excludes any future interest payments that we would be required to make. The table also excludes any amount that is available under the Revolving Credit Facility as well as any payments under the hedging agreements and any interest payable.

£ million	**Within 1 year**	**Between 2 and 5 years**	**More than 5 years**	**Total**
Senior Secured Notes (1)	-	222.0	-	222.0
Second Lien Notes (2)	-	50.0	-	50.0
Operating lease obligations (3)	5.4	13.9	26.5	45.8
Total	**5.4**	**285.9**	**26.5**	**317.8**

(1) Represents the aggregate principal amount of the Senior Secured Notes.
(2) Represents the aggregate principal amount of the Second Lien Notes.
(3) Operating lease obligations include motor vehicle and property lease costs payable.

Consolidated Balance sheet

£ million	Mar 14	Mar 13 (audited)	% Change
Fixed Assets	394.3	389.1	1.3%
Debtors *	16.9	13.9	21.5%
Cash at bank and in hand	14.7	15.8	(6.8%)
Creditors <1 yr			
Bank loans	0.0	0.0	nm
Revolving credit facility	(8.0)	0.0	nm
Other *	(31.4)	(30.8)	(1.6%)
Creditors >1 yr			
Loan notes	(260.8)	(258.4)	(0.9%)
Bank loans	0.0	0.0	Nm
Other	0.0	0.0	Nm
Provisions for liabilities and charges	(3.4)	(4.3)	20.8%
Pension surplus	0.0	0.0	0.0%
Net Assets	**122.4**	**125.3**	**(2.3%)**

** Debtors in FYE 2014 included £0.4 million of intercompany loans (FYE 2013: £0.4 million), and other creditors in FYE 2014 included £0.4 million of intercompany loans (FYE 2013: £0.4 million).*

Critical accounting policies

The preparation of financial information in conformity with UK GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of turnover and expenses during the years then ended. Management bases its estimates on historical experience and various other assumptions that are considered to be reasonable in the particular circumstances. Actual results may differ from these estimates. Significant accounting judgments have been applied in order to prepare the consolidated financial information with respect to goodwill and operating leases. These judgments are described below.

Goodwill and negative goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets of the businesses acquired is capitalised and amortised over its estimated useful economic life of 20 years. Negative goodwill is included within fixed assets and released to the profit and loss account in the periods in which the fair values of non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Taxation including deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation purposes and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes expenditures incurred in connection with bringing an asset into working condition for its intended use. Depreciation is provided on a straight line basis at rates calculated to write off the cost of each asset to its residual value over its estimated useful life. The depreciation rates we use are as follows:

- Freehold land - Nil
- Freehold buildings - 2.0%
- Motor vehicles - 25.0%
- Fixtures, fittings and equipment - 20.0%
- Computers - 33.0%

Pension costs

The Group contributes to two government sponsored defined benefit schemes and a number of individual pension schemes. The assets of all schemes are held separately from those of the Group in separately administered funds. Contributions to the two government sponsored defined benefit schemes and the individual pension schemes charged to the profit and loss account represent the contributions payable to the schemes in respect of the accounting period. See ''Note 27 - Pension schemes'' to the audited consolidated financial statements of Voyage BidCo Limited for the year ended 31 March 2014 included herein. The Group also contributes to an employer sponsored defined benefit scheme. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses.

Divisional reporting

The Group operates a single business segment providing care home and support services across the United Kingdom. The Group's results and financial position are attributable to this one activity. For the purposes of this report, we have also included certain divisional data herein, however we intend to continue to prepare and present our interim and annual financial statements based on a single business segment.

Key Business Divisions

£ million	Turnover FYE 2014	Turnover FYE 2013	Turnover % Change
Registered	154.2	143.4	7.5%
Communal supported living	21.9	21.2	3.3%
Residential	176.0	164.6	6.9%
Outreach	16.6	14.0	18.6%
Total *	**196.1**	**181.4**	**8.1%**

Other financial metrics	**FYE 2014**	**FYE 2013**	**Change**
Average residential occupancy	2,296	2,122	175
Average residential occupancy %	90.5%	90.3%	0.2%
Average weekly outreach invoiced hours	20,900	17,500	3,400

** The amounts stated on the total line also include the turnover for day care services*

Voyage BidCo Limited

Annual report and consolidated financial statements

Registered number 05752534

For the year ended 31 March 2014

Voyage BidCo Limited
Annual report and consolidated financial statements
For the year ended 31 March 2014

Voyage BidCo Limited
Strategic Report
For the year ended 31 March 2014

The directors present their strategic report for the year ended 31 March 2014.

Voyage Care provides a wide range of services for individuals with learning disabilities, acquired brain injuries and other complex needs. The care solutions we provide range from home care and supported living, where support is provided in a person's own home, through to residential care in our specially adapted homes. As ever, our focus continues to be on the needs of those we support.

Voyage Care remains the clear leader in the provision of residential care services for individuals with learning disabilities in the UK. As at 31 March 2014 the group had a residential capacity of 2,565 places, an increase of 46 places from the 2,519 places as at 31 March 2013. Over the year our residential occupancy increased to 91.2%.

Our Outreach business, offering care packages to individuals in their own homes also reported excellent growth and now delivers services to 666 (2013: 568 individuals), a 17% increase on the same time last year.

We also made a number of strategic acquisitions in the year. In November 2013 we acquired Ingleby Care which predominantly provides services for individuals with learning disabilities and complex needs in a supported living environment. Then, in March 2014, we purchased the freeholds of 13 properties previously leased to our operating subsidiary, Solor Care.

The breadth of service capability, from domiciliary to various types of residential care, ensures that we can always offer a care pathway tailored to the specific needs of the individual, thereby helping to achieve a better outcome for both the people we support and for purchasers.

The Government's Comprehensive Spending Review (CSR), published in October 2010, remains a key factor in shaping the challenging operating environment as some Local Authorities continue to attempt to balance budgets in the light of reduced funding. Although the impact of fee challenges experienced in the current year was again lower than we had expected, each Local Authority is still affected to a greater or lesser extent by the CSR in the coming year. We continue to closely monitor and mitigate the impact for the group as far as possible.

Underpinning our performance and growth is a continued focus on the quality of the care we provide.

The group continues to operate its own quality assurance function to ensure that quality standards are continually driven forward. The success of this approach is reflected in the fact that we have achieved 95.4% overall compliance under the CQC rating regime. Of the residential services that have been inspected by CQC, 98.9% of services achieved 4 or 5 'ticks' out of a possible 5 based on latest records available.

Quality is monitored by the Board via the Health, Safety and Quality Committee. The committee, chaired by an independent industry expert, comprises board members and non-board members. This committee provides an independent review of all serious incidents and reports its findings back to the Board, so that appropriate action can be taken.

Like all service companies, the key to our success is down to the quality of the people we employ.

During the last five years the number of people we employ has increased by approximately 37%. The Board are fully aware that the recruitment, training and retention of top quality staff is critical to the success of the group. As a result we have continued to invest heavily in training, approximately £2.1 million in the year, in order to ensure that our staff are fully up to date in the best ways of providing care for those we support.

During the year we have also made some major changes in the composition and structure of our senior management team. In particular we have appointed a new CEO, Kevin Roberts, who with the support of new and existing team members has spearheaded a dramatic improvement in the performance of the business since the middle of the financial year.

The current year has started well and we look forward to once again reporting an improvement in year on year performance on the back of continuing to provide a range of high quality value added services tailored to the needs of our individual customers and their funders.

Business review

The year under review has seen further strong progress towards achieving Voyage Care's objective of becoming the market leader in the provision of high quality care services for people with learning disabilities, acquired brain injuries and other complex needs. During the year we have integrated the ILG business, acquired in March 2013 and substantially integrated Ingleby Care Limited, acquired in November 2013.

In a tough trading environment EBITDA for the year ended 31 March 2014 (before exceptional items) declined by 7.7% from £43.9 million to £40.5million. Operating profit before exceptional items for the year ended 31 March 2014 was £30.7 million (2013: £35 million). This decline was primarily due to:

- a 1.9% increase in the National Minimum Wage to £6.31;
- the introduction of pension auto-enrolment;
- a temporary increase in agency spend as a result of recruitment shortages;
- selective pay increases in certain geographical areas;
- fee reductions in certain areas; and
- investment in strengthening our quality assurance team.

The consolidated balance sheet at 31 March 2014 shows that the group has net assets of £122,376,000 (2013: £125,312,000). This analysis is detailed on the consolidated balance sheet (see page 11). Correspondingly, for the year ended 31 March 2014, the group reported a profit before taxation and exceptional items of £7,458,000 (2013: £11,715,000). This analysis is details on the consolidated profit and loss account (see page 9).

Key performance indicators

The board use a number of financial and non financial performance indicators to monitor the performance of the business. These are:

- Pre-exceptional EBITDA;
- % of services compliant under the CQC rating scheme; and
- Occupancy - both absolute number and % of capacity.

Principal risks

The principal risks facing the business and the controls in place to mitigate these, are as follows:

- The Government Comprehensive Spending Review (CSR) has resulted in a more challenging environment as Local Authorities attempt to balance budgets in the light of reduced funding. Each Local Authority is affected in a different way by the CSR and we continue to diligently monitor any impact for the group in our negotiations with them;
- Recruitment and retention of skilled care workers - the group has a bespoke system to deal with recruitment from first point of contact to employment, including Disclosure and Barring Service checks. Staff turnover is closely monitored and exit interviews performed to identify underlying trends;
- Ensuring the provision of high quality care to our service users - which is achieved by maintaining an appropriate balance between weekly fees and payroll costs. Weekly fees are always agreed with purchasers to reflect the care needs of the individual service user to ensure that the appropriate level of care is provided. Payroll costs are controlled by regular review of weekly care hours, through an in-house management system and close control of agency usage;
- Maintaining high occupancy levels - admissions and leavers amid progress of referrals for vacancies are formally reported to senior management on a weekly basis; and
- Changes in interest rates - during the prior year the group repaid the floating rate bank debt in place at the previous year end which was hedged by means of an interest rate swap. The Senior and Second Lien Notes now in place are fixed interest rate instruments.

Voyage BidCo Limited
Strategic Report (continued)
For the year ended 31 March 2014

Uncertainties facing the business

There are no major operational uncertainties facing the business and we anticipate that demand for our services will continue to be strong. The fragmented nature of the specialist care home market in the UK and increasing regulation continues to benefit high quality operators such as Voyage Care.

Health, Safety and Quality Committee

The board of directors operates a Health, Safety and Quality Committee, comprised of board members and non-board members. The functions of the Committee are to provide an independent review of serious and untoward care, support and clinical incidents to ensure that, in all cases referred to the Committee, compliance with the relevant standards and regulations has been achieved, or exceptions reported. The Committee will also support and advise the company to help provide a safe and secure care, support and clinical environment in the services, so to maximise the prospects of successful outcomes for all people we support. The Health, Safety and Quality Committee is chaired by Linda Owen (former senior officer at CQC) and, in addition comprises the Chief Executive, together with our Quality and Business Improvement Director and certain other members.

The group also continues to operate its own quality assurance function to ensure that quality standards are continually driven forward. This well established in-house team regularly reviews each service to ensure all statutory and national guideline obligations are met and ensure delivery of continually improving care and quality standards.

Future prospects

Our philosophy continues to be to place the people in our care at the heart of what we do - we recognise that our reputation and success are based upon their happiness and well being and that there is no one more important.

Over the coming years, we see growing demand for high quality care services which meet the needs of those who require support, care managers and families and we look forward to continuing strong growth.

By order of the board

P Sealey
Company Secretary

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP
14 July 2014

Voyage BidCo Limited
Directors' Report
For the year ended 31 March 2014

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

In accordance with section 414C(11) of the Companies Act, information that is required to be contained in the Directors' report has been included in the Strategic report, specifically the future prospects of the business.

Principal activities and review of the business
The principal activity of the company is to act as a holding company. The principal activity of the group is the provision of high quality care and support services for people with learning disabilities, acquired brain injuries and other complex needs.

Results and dividends
The results for the year are set out in detail on page 9.

The directors do not recommend the payment of a dividend (2013: £Nil).

Going concern
The Voyage Holdings group, of which the company is a member, is funded through a combination of shareholders' funds, Unsecured PIK Notes, Senior Secured Notes and Second Lien Notes. On 25 January 2013, the group issued £222 million of 6.5% Senior Secured Notes due 2018 and £50 million 11% Second Lien Notes due 2019 and repaid the existing Senior Facilities. As part of the transaction the group also secured a £30 million Revolving Credit Facility.

The business has net current liabilities of £7.7 million as at 31 March 2014 (2013: £1.1 million). Notwithstanding this, the group's trading cash forecasts, which take into account reasonably possible changes in trading activities, show that the group will be in compliance with all covenants and will have adequate funds to meet its liabilities, including debt servicing costs, for the foreseeable future. Forecast operating cash flow for 2014/15 is £38.5 million, compared to forecast debt service costs of £20.9 million, headroom of £17.6 million. In addition there is headroom of £22 million on the Revolving Credit Facility.

The directors therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

Employee involvement
The company has formal employee policies and procedures which are regularly reviewed and updated on matters of direct concern to employees.

Disabled persons
Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

Directors
The directors who held office during the year were:

J B McKendrick	(resigned 6 August 2013)
A Winning	
K W Roberts	(appointed 6 August 2013)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Statement of disclosures to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

By order of the board

P Sealey
Company Secretary

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP
14 July 2014

Voyage BidCo Limited

Statement of directors' responsibilities in respect of the directors' report and the strategic report

The directors are responsible for preparing the directors' report and the strategic report 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Voyage BidCo Limited
Independent auditor's report to the members of Voyage BidCo Limited

We have audited the financial statements ("the financial statements") of Voyage BidCo Limited for the year ended 31 March 2014 set out on pages 9 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Respective responsibilities of directors and auditors
As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

K MacKenzie
Karen MacKenzie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

14 July 2014

Voyage BidCo Limited
Consolidated profit and loss account
For the year ended 31 March 2014

	Notes	2014 Before exceptional items (4,5)	2014 Exceptional items (1)	2014 Total	2013 Before exceptional items	2013 Exceptional items (3)	2013 Total
		£000	£000	£000	£000	£000	£000
Turnover	*2*	196,056	-	196,056	181,384	-	181,384
Operating expenses	*3*	(165,349)	(10,737)	(176,086)	(146,420)	(14,149)	(160,569)
EBITDA (2)		40,508	(1,304)	39,204	43,885	(2,510)	41,375
Depreciation		(6,913)	(9,433)	(16,346)	(5,669)	(3,387)	(9,056)
(Loss) / profit on disposal of fixed assets		(187)	-	(187)	279	(1,141)	(862)
Goodwill amortisation		(2,701)	-	(2,701)	(3,531)	(7,111)	(10,642)
Operating profit		30,707	(10,737)	19,970	34,964	(14,149)	20,815
Interest receivable	*7*	33	-	33	62	-	62
Other finance income	*28*	3	-	3	13	-	13
Interest payable on loan notes	*8*	(19,930)	-	(19,930)	(3,643)	-	(3,643)
Amortisation of loan issue costs **(6)**	*8*	(2,786)	-	(2,786)	(2,013)	(2,030)	(4,043)
Interest payable on bank loans **(6)**	*8*	(505)	-	(505)	(17,475)	-	(17,475)
Other finance costs **(6)**	*8*	(64)	-	(64)	(193)	-	(193)
Profit / (loss) before taxation		7,458	(10,737)	(3,279)	11,715	(16,179)	(4,464)
Tax credit / (charge)	*9*	422	-	422	945	(17,369)	(16,424)
Profit / (loss) for the year		7,880	(10,737)	(2,857)	12,660	(33,548)	(20,888)

(1) Exceptional items in 2014 relate to restructuring costs of £1,304,000 due to the acquisitions of Solor Care, ILG and Ingleby Care and impairment to freehold land and buildings of £9,433,000.

(2) EBITDA represents earnings before interest, tax, depreciation and amortisation.

(3) Exceptional items in 2013 relate to restructuring costs following the Solor Care acquisition of £2,510,000, impairment to freehold land and buildings of £3,387,000, impairment to goodwill of £7,111,000, loss on disposal of freehold land and buildings of £1,141,000, exceptional debt issue cost amortisation of £2,030,000 and £17,369,000 of group tax relief balances written off in the year.

(4) During the year the acquisition is Ingleby Care (note 26).

(5) Turnover relating to acquisitions is £1,580,000 (2012: £37,250,000). Operating expenses relating to acquisitions is £1,308,000 (2013: £35,050,000). Operating profit relating to acquisitions is £272,000 (2013: £2,200,00).

(6) Loan issue costs have been reclassified in 2014, as a result the 2013 comparative has been restated to reflect the reclassification.

There is no material difference between the reported loss and historical cost loss for the year. Accordingly, no note of historical cost profits and losses has been prepared.

Movements in reserves are set out in notes 19-21.

All results are derived from continuing operations.

Voyage BidCo Limited
Consolidated statement of total recognised gains and losses
For the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Loss for the financial year		(2,857)	(20,888)
Actuarial gain / (loss) recognised for the pension scheme	*28*	96	(390)
Restriction on surplus	*28*	(175)	-
Reversal of 2012 surplus not recognised		-	279
Total gains and losses related to the financial year		(2,936)	(20,999)

Voyage BidCo Limited
Consolidated balance sheet
at 31 March 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Intangible assets	*10*		31,318		32,729
Tangible assets	*11*		362,991		356,376
			394,309		389,105
Current assets					
Debtors	*13*	16,902		13,906	
Cash at bank and in hand		14,746		15,828	
		31,648		29,734	
Creditors: amounts falling due within one year	*14*	(39,355)		(30,849)	
Net current liabilities			(7,707)		(1,115)
Total assets less current liabilities			386,602		387,990
Creditors: amounts falling due after more than one year	*15*				
Loan notes			(260,819)		(258,372)
Provisions for liabilities and charges	*17*		(3,414)		(4,313)
Net assets excluding pension surplus			122,369		125,305
Pension surplus	*28*		7		7
Net assets including pension surplus			122,376		125,312
Capital and reserves					
Called up share capital	*18*		-		-
Share premium	*19*		224,872		224,872
Profit and loss account	*20*		(102,496)		(99,560)
Equity shareholders' funds	*21*		122,376		125,312

These financial statements were approved by the board of directors on 14 July 2014 and were signed on its behalf by:

A Winning
Director

Company registered no. 05752534

Voyage BidCo Limited
Company balance sheet
at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	*12*	163,309	163,309
Current assets			
Debtors	*13*	305,687	270,879
Net current assets		305,687	270,879
Total assets less current liabilities		468,996	434,188
Creditors: amounts falling due after more than one year	*15*	(397,702)	(352,408)
Net assets		71,294	81,780
Capital and reserves			
Called up share capital	*18*	-	-
Share premium	*19*	224,872	224,872
Profit and loss account	*20*	(153,578)	(143,092)
Equity shareholders' funds	*21*	71,294	81,780

These financial statements were approved by the board of directors on 14 July 2014 and were signed on its behalf by:

A Winning
Director

Company registered no. 05752534

Voyage BidCo Limited
Consolidated cash flow statement
For the year ended 31 March 2014

	Notes	2014 £000	2013 £000
CASH FLOW STATEMENT			
Cash flow from operating activities	**27a**	35,789	44,077
Returns on investments and servicing of finance	**27b**	(20,802)	(21,208)
Taxation		970	(815)
Capital expenditure and financial investment	**27b**	(19,547)	(7,285)
Acquisitions	**27b**	(5,488)	(41,540)
Cash (outflow) / inflow before financing		(9,078)	(26,771)
Financing	**27b**	7,996	19,252
Decrease in cash in the period		(1,082)	(7,519)

	Notes	2014 £000	2013 £000
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Decrease in cash in the period		(1,082)	(7,519)
Net cash flow from (increase) / decrease in loans and finance leases		(7,996)	2,781
Non cash changes		(2,447)	(230)
Finance leases acquired with subsidiary		(11)	(70)
Movement in net debt in the year		(11,536)	(5,038)
Net debt at start of year		(242,589)	(237,551)
Net debt at end of year	**27c**	(254,125)	(242,589)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The Voyage Holdings group, of which the company is a member, is funded through a combination of shareholders' funds, Unsecured PIK Notes, Senior Secured Notes and Second Lien Notes. On 25 January 2013, the group issued £222 million of 6.5% Senior Secured Notes due 2018 and £50 million 11% Second Lien Notes due 2019 and repaid the existing Senior Facilities. As part of the transaction the group also secured a £30 million Revolving Credit Facility.

The group has net current liabilities of £7.7 million as at 31 March 2014 (2013: £1.1 million). Notwithstanding this the group's trading cash forecasts, which take into account reasonably possible changes in trading activities, show that the group will be in compliance with all covenants and will have adequate funds to meet its liabilities, including debt servicing costs, for the foreseeable future. Forecast Operating Cash Flow for 2013/14 is £38.5 million, compared to forecast Debt Service Costs of £20.9 million, headroom of £17.6 million. In addition there is headroom of £22 million on the Revolving Credit Facility.

The directors therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2014. The acquisition method of accounting has been adopted. Under this method the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Turnover and profits arising on trading between group companies are eliminated on consolidation.

Under section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account. The amount of loss after taxation for the financial year for the company is £10,486,000 (2013: £51,324,000).

Goodwill and negative goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets of the businesses acquired is capitalised and amortised over its estimated useful economic life of 20 years.

Negative goodwill is included within fixed assets and released to the profit and loss account in the periods in which the fair values of non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Leases

Assets obtained under finance lease and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

1 Accounting policies *(continued)*

Taxation including deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes expenditure incurred in bringing the asset into working condition for its intended use.

Depreciation is provided on a straight line basis at rates calculated to write off the cost of each asset to its residual value over its estimated useful life. The depreciation rates in use are:

Freehold land	Nil
Freehold buildings	2%
Motor vehicles	25%
Fixtures, fittings and equipment	20%
Computers	33%

Pension costs

The group contributes to the NHS defined benefit schemes, a group personal pension plan and a number of individual pension schemes.

The assets of all schemes are held separately from those of the group in separately administered funds.

Contributions to the NHS defined benefit scheme, the Group Personal Pension Plan and the individual pension schemes charged to the profit and loss account represent the contributions payable to the schemes in respect of the accounting period.

The group also contributes to an employer sponsored defined benefit scheme. The assets of the scheme are held separately from those of the group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses.

Segmental reporting

The group operates a single business segment providing care home and support services across the United Kingdom. The group's results and financial position are attributable to this one activity.

1 Accounting policies *(continued)*

Impairment of fixed assets and goodwill

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Turnover

Turnover represents total fees receivable for services provided to third parties in the United Kingdom.

3 Operating expenses

	2014 £000	2013 £000
Operating expenses are stated after charging		
Direct expenses and consumables	8,077	7,834
Staff costs:		
Wages and salaries	112,078	102,271
Social security costs	7,901	7,318
Other pension costs	824	251
Operating lease rentals:		
Property rentals	4,102	4,338
Motor vehicles	2,919	2,538
Depreciation	6,913	5,669
Impairment to fixed assets	9,433	3,387
Loss on disposal of fixed assets	187	862
Goodwill amortisation charge	2,701	3,531
Impairment to goodwill	-	7,111
Other external charges	20,951	15,459
	176,086	160,569

4 Auditor's remuneration

	2014 £000	2013 £000
Audit of the group financial statements	5	5
Audit of financial statements of subsidiaries	123	151
Audit related assurance services	-	12
Audit related fees	128	168
Taxation compliance services	127	98
Other tax advisory services	53	45
Other assurance services	16	118
Corporate finance services	60	598
Other services	9	68
Non-audit fees	265	927
Total audit and non-audit fees	393	1,095

5 Directors emoluments

Total emoluments comprise:

	2014 £000	2013 £000
Emoluments	1,020	501
Compensation on loss of office	145	-
Pension contributions	55	56
	1,220	557

The emoluments of the highest paid director were £600,000 (2013: £320,000) and pension contributions of £14,000 (2013: £39,000) were made to a money purchase scheme on his behalf.

Three of the directors active in the year accrued benefits under money purchase pension schemes (2013: two directors).

6 Staff numbers

The average number of persons employed by the group (including directors) during the year was as follows:

	Number of employees	
	2014	2013
Administration	265	273
Care staff	7,984	7,223
	8,249	7,496

7 Interest receivable and similar income

	2014 £000	2013 £000
Bank interest receivable	33	62

8 Interest payable and similar charges

	2014 £000	2013 £000
Bank interest including RCF non-utilisation fees	501	13,966
Net interest rate swap	-	3,508
Loan notes interest	19,930	3,643
Amortisation of debt issue costs (including exceptional amortisation of £Nil (2013:£2,030,000))	2,786	4,043
Unwinding of discount on onerous lease provision	64	193
Hire purchase interest	4	1
	23,285	25,354

Loan issue and debt costs have been reclassified in 2014 as a result £0.1 million has been assigned to loan issue costs from bank interest in 2013.

9 Taxation

	2014 £000	2013 £000
Analysis of charge / (credit) in year		
Current tax:		
UK corporation tax on profits of the period	99	126
Adjustments in respect of previous periods	(51)	691
Group tax relief intercompany balances written off in period	-	17,369
	48	18,186
Deferred tax:		
Reversal of timing differences	(253)	(508)
Effect of change in tax rate on opening liability	381	66
Recognition of tax losses not previously recognised	18	(320)
Adjustments in respect of prior years deferred tax	(616)	(1,000)
	(470)	(1,762)
Tax (credit) / charge on loss on ordinary activities	(422)	16,424

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2014 £000	2013 £000
Loss on ordinary activities before taxation	(3,279)	(4,464)
Current tax at 23% (2013: 24%)	(754)	(1,071)
Effects of:		
Depreciation for year in excess of / (lower than) capital allowances	(45)	678
Expenses not deductible for tax purposes	139	1,812
Goodwill amortisation and impairment	2,790	2,554
Depreciation on ineligible assets	868	147
Group relief received at no cost	(2,899)	(3,994)
Group tax relief intercompany balances written off in period	-	17,369
Adjustments in respect of prior periods	(51)	691
Total current tax charge / (credit) (see above)	48	18,186

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future tax charge accordingly. The deferred tax asset as at 31 March 2014 has been calculated based on the rates of 20% and 23% substantively enacted at the balance sheet date.

10 Intangible fixed assets

Group	Goodwill £000	Negative Goodwill £000	Total £000
Cost			
At 1 April 2013	71,356	(9,798)	61,558
Additions	1,908	-	1,908
Adjustments to fair value (see notes 24 and 25)	(1,118)	500	(618)
At 31 March 2014	72,146	(9,298)	62,848
Amortisation			
At 1 April 2013	29,254	(425)	28,829
Provided during the year	3,107	(406)	2,701
At 31 March 2014	32,361	(831)	31,530
Net book value			
At 31 March 2014	39,785	(8,467)	31,318
At 31 March 2013	42,102	(9,373)	32,729

Subsequent adjustments to fair value at acquisition were made in relation to Solor Care (see note 24) and ILG (see note 25).

On 20 November 2013, the group acquired 100% of the share capital of Ingleby Corporation Limited. Goodwill of £1,908,000 was capitalised and is being written back over 20 years (see note 26).

11 Tangible fixed assets

Group	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2013	423,258	44,526	1,936	469,720
Acquisitions	3,510	149	-	3,659
Additions	10,106	10,530	122	20,758
Disposals	(37,043)	(1,004)	(409)	(38,456)
At 31 March 2014	399,831	54,201	1,649	455,681
Depreciation				
At 1 April 2013	80,996	30,562	1,786	113,344
Acquisitions	-	56	-	56
Charge for the period	1,596	5,237	80	6,913
Impairment	9,433	-	-	9,433
Depreciation on disposals	(36,006)	(661)	(389)	(37,056)
At 31 March 2014	56,019	35,194	1,477	92,690
Net book value				
At 31 March 2014	343,812	19,007	172	362,991
At 31 March 2013	342,262	13,964	150	356,376

The impairment charge relates to four freehold properties, of which, three are in the process of being disposed and one was disposed of during the year. They have been written down to their respective net realisable values.

Included within freehold land and buildings is freehold land totalling £72,404,000 (2013: £74,426,000) which is not depreciated and costs of £2,360,000 (2013: £2,740,000) in respect of properties in the course of being converted into care homes which are not depreciated until the properties in question are brought into use.

12 Investments

Company	**Investments in subsidiary undertakings £000**
At beginning and end of year	163,309

The principal subsidiary undertakings of the company, all of which are registered in Great Britain, are summarised as follows:

Subsidiary	**Nature of business**	**Country of incorporation**	**Holding**	**Proportion held %**
Voyage Healthcare Group Limited	Intermediate holding company	England	Ordinary	100
Voyage Care Limited *	Intermediate holding company	England	Ordinary	100
Voyage 1 Limited *	Community care	England	Ordinary	100
Voyage 2 Unlimited *	Community care	England	Ordinary	100
Voyage Recruitment Limited *	Employment services	England	Ordinary	100
Voyage Healthcare Limited *	Intermediate holding company	England	Ordinary	100
Voyage Secure Limited *	Community care	England	Ordinary	100
Voyage Limited *	Community care	England	Ordinary	100
Voyage 3 Limited *	Employment services	England	Ordinary	100
Voyage 4 Limited *	Intermediate holding company	England	Ordinary	100
Voyage Specialist Healthcare Limited *	Community care	England	Ordinary	100
Voyage Care BondCo PLC *	Investment company	England	Ordinary	100
Solor Care Holdings Limited *	Intermediate holding company	England	Ordinary	100
Graphite Estates Limited *	Property management	England	Ordinary	100
Life Links Limited *	Community care	England	Ordinary	100
Solor Care (South West) Limited *	Community care	England	Ordinary	100
Solor Care London Limited *	Community care	England	Ordinary	100
Solor Care Homes Limited *	Community care	England	Ordinary	100
Solor Care South East (2) Limited *	Community care	England	Ordinary	100
Solor Care West Midlands Limited *	Community care	England	Ordinary	100
Solor Care Holdings (2) Limited *	Intermediate holding company	England	Ordinary	100
Solor Care London (3) Limited *	Community care	England	Ordinary	100
Solor Care Limited *	Community care	England	Ordinary	100
Solor Care South East Limited *	Community care	England	Ordinary	100
Solor Care East Midlands Limited *	Community care	England	Ordinary	100
Solor Care Holdings (3) Limited *	Intermediate holding company	England	Ordinary	100
Solor Care Group Limited *	Community care	England	Ordinary	100
ILG Limited *	Intermediate holding company	England	Ordinary	100
Communitas Holdings Limited *	Intermediate holding company	England	Ordinary	100
Evesleigh Acquisitions Limited *	Intermediate holding company	England	Ordinary	100
ILIACE Holdings Limited *	Intermediate holding company	England	Ordinary	100
PS25 Limited *	Intermediate holding company	England	Ordinary	100
Opus Acquisitions Limited *	Intermediate holding company	England	Ordinary	100
Evesleigh (East Sussex) Limited *	Community care	England	Ordinary	100
Evesleigh (Kent) Limited *	Community care	England	Ordinary	100
Cove Care (Mountain Ash RH) Limited *	Community care	England	Ordinary	100
Evesleigh Care Homes Limited *	Community care	England	Ordinary	100
ILIACE Limited *	Community care	England	Ordinary	100
Rivers Reach Care Limited *	Community care	England	Ordinary	100
Ingleby Corporation Limited *	Intermediate holding company	England	Ordinary	100
Ingleby Care Limited *	Community care	England	Ordinary	100
Ingleby House Limited *	Community care	England	Ordinary	100

* Held by a subsidiary undertaking

13 Debtors

	2014 Group £000	**2014 Company £000**	**2013 Group £000**	**2013 Company £000**
Trade debtors	12,138	-	9,607	-
Deferred tax asset (see note 17)	2,817	-	2,347	-
Other debtors	260	2	339	2
Prepayments and accrued income	1,297	-	1,225	-
Intercompany debtors	390	305,685	388	270,877
	16,902	305,687	13,906	270,879

14 Creditors: amounts falling due within one year

	2014		2013	
Group	**Group £000**	**Company £000**	**Group £000**	**Company £000**
Bank loan	8,000	-	-	-
Obligations under finance lease and hire purchase contracts (see note 16)	52	-	45	-
Trade creditors	3,704	-	3,682	-
Corporation tax	1,302	-	72	-
Other taxes and social security costs	2,021	-	2,324	-
Other creditors	9,934	-	9,305	-
Intercompany creditors	384	-	384	-
Accruals and deferred income	9,566	-	10,969	-
Fees billed in advance	4,392	-	4,068	-
	39,355	-	30,849	-

15 Creditors: amounts falling due after more than one year

	2014		2013	
	Group £000	**Company £000**	**Group £000**	**Company £000**
Loan notes	260,819	-	258,372	-
Amounts owed to group undertakings	-	397,702	-	352,408
	260,819	397,702	258,372	352,408

Loan notes include unamortised issue costs and original issue discount of £11,181,000 (2013: £13,628,000).

Total debt can be analysed as falling due:

Group	**2014 £000**	**2013 £000**
In one year or less	8,052	45
Between one and two years	-	-
Between two and five years	260,819	-
After five years	-	258,372
	268,871	258,417

Loan notes

On 25 January 2013, the group issued £272 million of loan notes comprising £222 million Senior Secured Notes due 2018 and £50 million Second Lien Notes due 2019. In addition, the group is party to a £30 million Revolving Credit Facility. Issue costs and original issue discount before amortisation were £14,100,000 million. The notes are listed on the Luxembourg Stock Exchange.

The interest rate and repayment terms of these loan notes are as follows:

Debt instrument	**Current balance £000**	**Interest rate/margin**	**Final repayment date**
Senior Secured Notes	222,000	6.50%	Aug-18
Second Lien Notes	50,000	11.00%	Feb-19
Revolving Credit Facility	8,000	LIBOR +4%	Aug-18

16 Obligations under finance leases and hire purchase contracts

Group	**2014 £000**	**2013 £000**
Amounts payable:		
Within one year	52	45
	52	45

17 Provisions for liabilities and charges

Group	**2014 £000**	**2013 £000**
Onerous leases and dilapidations	3,414	4,313

The elements of deferred taxation are as follows:

	2014 £000	**2013 £000**
Accelerated capital allowances	(2,322)	(1,937)
Other timing difference	(73)	(76)
Tax losses	(422)	(334)
	(2,817)	(2,347)

Recognised in:

	2014 £000	**2013 £000**
Debtors (see note 13)	(2,817)	(2,347)

The movement in provisions were:	**Deferred tax £000**	**Onerous leases and Dilapidations £000**
At beginning of year	(2,347)	4,313
Profit and loss account	(470)	(212)
Fair value adjustments (see note 24)	-	(687)
At end of year	(2,817)	3,414

Deferred tax assets totalling £4,165,000 (2013: 2,104,000) have not been recognised as it is improbable that sufficient taxable profits will arise in the related entities against which the losses can be utilised.

18 Share capital

Group and company	**2014 £000**	**2013 £000**
Allotted, called up and fully paid:		
3 ordinary shares of £1.00 each (2013: 3 ordinary shares of £1.00 each)	-	-
	-	-

19 Share premium

Group and company	**2014 £000**	**2013 £000**
At beginning of year	224,872	-
Movement in the financial year (see note 18)	-	224,872
At end of year	224,872	224,872

20 Profit and loss account

Group	2014 £000	2013 £000
At beginning of year	(99,560)	(78,561)
Loss for the financial year	(2,857)	(20,888)
Actuarial gain / (loss) recognised for the pension scheme	96	(390)
Restriction on surplus	(175)	-
Reversal of 2012 surplus not recognised	-	279
At end of year	(102,496)	(99,560)

Company	2014 £000	2013 £000
At beginning of year	(143,092)	(91,768)
Loss for the financial year	(10,486)	(51,324)
At end of year	(153,578)	(143,092)

21 Reconciliation of movement in shareholders' funds

Group	2014 £000	2013 £000
Opening shareholders' funds / (deficit)	125,312	(78,561)
Movement in share premium	-	224,872
Loss for the financial year	(2,857)	(20,888)
Actuarial gain / (loss) recognised for the pension scheme	96	(390)
Restriction on surplus	(175)	-
Reversal of 2012 surplus not recognised	-	279
Closing shareholders' funds	122,376	125,312

Company	2014 £000	2013 £000
Opening shareholders' funds / (deficit)	81,780	(91,768)
Movement in share premium	-	224,872
Loss for the financial year	(10,486)	(51,324)
Closing shareholders' funds	71,294	81,780

22 Commitments

The group had annual commitments under non-cancellable operating leases as follows:

	2014		2013	
	Land and buildings £000	Other assets £000	Land and buildings £000	Other assets £000
Operating leases which expire:				
Within one year	786	1,306	491	1,008
Between two and five years	296	1,534	579	1,716
Five years	2,145	-	3,316	-
	3,227	2,840	4,386	2,724

23 Contingent liabilities

The company has guaranteed the amounts due under the Revolving Credit Facility, the Senior Secured Notes and the Second Lien Notes which were issued by Voyage Care Bondco PLC. Security has been granted over all freehold and long leasehold property.

24 Solor care acquisition

On 20 April 2012, the group acquired Solor Care Holdings Limited and all of its subsidiaries. The fair value of the assets acquired and the resulting goodwill is set out below:

	Book value £000	Fair value adjustment £000	Fair value £000
Fixed assets	21,256	8,667	29,923
Debtors	1,951	275	2,226
Deferred tax asset	926	-	926
Creditors	(6,398)	(1,174)	(7,572)
Bank overdraft	(459)	-	(459)
Finance leases	(70)	-	(70)
	17,206	7,768	24,974
Goodwill			2,715
			27,689
Satisfied by:			
Cash			26,428
Costs associated with acquisition			1,261
Total costs of acquisition			27,689

The fair value adjustments bring the freehold property, fixtures and fittings in line with their fair value as at the acquisition date. A reconciliation of the goodwill movement is shown below:

	Goodwill adjustment £000	Total £000
Goodwill at 1 April 2013		3,833
Debtors adjustment to fair value adjustment:	(275)	
Adjustment to consideration	(156)	
Reduction in onerous lease provision (see note 17)	(687)	
Total adjustment to goodwill (see note 10)		(1,118)
Goodwill at 31 March 2014		2,715

25 ILG acquisition

On 10 March 2013, the group acquired ILG Limited and all of its subsidiaries. The fair value of the assets acquired and the resulting goodwill is set out below:

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Fixed assets	20,216	-	20,216
Debtors	1,236	-	1,236
Deferred tax	(24)	-	(24)
Creditors	(1,288)	(500)	(1,788)
Bank overdraft	(287)	-	(287)
Finance leases	-	-	-
	19,853	(500)	19,353
Negative goodwill			(6,404)
			12,949
Satisfied by:			
Cash			12,368
Costs associated with acquisition			581
Total costs of acquisition			12,949

The fair value adjustments bring the creditors in line with their fair value as at the acquisition date.

26 Ingleby Care acquisition

On 20 November 2013, the group acquired Ingleby Corporation Limited and all of its subsidiaries. The provisional fair value of the assets acquired and the resulting goodwill is set out below:

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Fixed assets	2,426	1,177	3,603
Debtors	769	-	769
Cash in hand, Bank	685	-	685
Creditors	(625)	-	(625)
Finance leases	(11)	-	(11)
	3,244	1,177	4,421
Goodwill			1,908
			6,329
Satisfied by:			
Cash			6,119
Costs associated with acquisition			210
Total costs of acquisition			6,329

The fair value adjustments bring the freehold property, fixtures and fittings in line with their fair value as at the acquisition date.

The acquired undertaking made a profit before tax of £290,000 from the beginning of its financial year to the date of acquisition.

27 Notes to the group cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	2014 £000	2013 £000
Operating profit	19,970	20,815
Depreciation and impairment charges	16,346	9,056
Loss / (profit) on disposal of fixed assets	187	862
Goodwill amortisation and impairment	2,701	10,642
(Increase) / decrease in debtors	(2,258)	(168)
(Decrease) / increase in creditors	(1,157)	2,870
Net cash inflow from operating activities	35,789	44,077

b Reconciliation of other items in the cash flow statement

	2014 £000	2013 £000
Returns on investments and servicing of finance		
Interest received	33	62
Other finance cost	3	13
Interest paid	(20,838)	(21,283)
	(20,802)	(21,208)
Capital expenditure		
Payments to acquire tangible fixed assets	(20,758)	(8,230)
Receipts from sales of tangible fixed assets	1,211	945
	(19,547)	(7,285)
Acquisitions		
Acquisitions	(6,173)	(40,794)
Cash / (overdraft) acquired with subsidiaries	685	(746)
	(5,488)	(41,540)
Financing		
Repayment of loans	-	(260,680)
Loan advance from RCF	8,000	-
Issue of share capital	-	22,033
Loan notes issued	-	272,000
Issue costs and original issue discount on loan notes	-	(14,076)
Finance lease payments	(4)	(25)
	7,996	19,252

c Analysis of changes in net debt

	At 1 April 2013 £000	Cash flows £000	Acquisition £000	Non-cash changes £000	At 31 March 2014 £000
Cash at bank and in hand	15,828	(1,767)	685	-	14,746
Finance leases	(45)	4	(11)	-	(52)
Bank loans: Debt due within one year	-	(8,000)	-	-	(8,000)
Loan notes Debt due after one year	(258,372)	-	-	(2,447)	(260,819)
	(258,417)	(7,996)	(11)	(2,447)	(268,871)
Net debt	(242,589)	(9,763)	674	(2,447)	(254,125)

28 Pension schemes

The group contributes to a number of pension schemes for its employees. Details of these schemes are as follows:

The group contributes on a defined contribution basis to the Peoples Pension under Auto-enrolment, a group personal pension plan and personal pension plans for certain managers.

The group contributes to the National Health Service pension scheme for certain employees, whereby the group is required to make contributions into this scheme at a percentage, as notified by the NHS pension scheme administrator, of the relevant employees' salary. The assets of this pension scheme are managed independently of the group. Employer contribution rates are 14% of pensionable salaries.

The group also participates in a group funded defined benefit scheme, the Voyage Retirement Benefit Scheme, for certain employees. Contributions into this scheme are made in accordance with the advice of the Scottish Life Assurance Company, independent actuaries. The latest actuarial valuation was performed on 1 April 2011 using the projected unit method. The principal assumptions adopted in the valuation were that the investment return would be 5.9% per annum compound and the real rate of investment over salary growth would be 1.7% per annum compound.

At the date of the latest actuarial valuation at 1 April 2011, the market value of the assets of the scheme was £1,312,000 and the actuarial value of the assets was sufficient to cover 82% of the benefits that had accrued to members, after allowing for expected future increase in earnings.

The pension cost for the group in 2014 was £824,000 (2013: £251,000). An amount of £106,000 (2013: £28,000) is included in accruals which represents the excess accumulated pension cost over the payment of contributions to the various schemes.

FRS 17 valuation

The valuation at 1 April 2011 has been updated by the actuary on a FRS 17 basis as at 31 March 2014. The major assumptions used in this valuation were:

	2014 %	**2013 %**
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions in payment	3.0	3.0
Discount rate	4.5	4.4
Inflation assumption	3.4	3.4

The assumptions used by the actuary are the best estimate chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31 March 2014 £000	**Value at 31 March 2013 £000**
Fair value of plan assets		
Insurance policy	1,000	853
Present value of scheme liabilities	(818)	(846)
Surplus in the scheme	182	7
Excess not recognised	(175)	-
Net pension surplus	7	7

28 Pension schemes *(continued)*

Movements in present value of defined benefit obligation:

	2014 £000	2013 £000
At 1 April	846	815
Current service cost	7	7
Interest cost	37	35
Actuarial gains / (losses)	(68)	430
Contributions by members	-	1
Benefits paid	(4)	(442)
At 31 March	818	846

Movements in fair value of plan assets:	2014 £000	2013 £000
At 1 April	853	1,117
Expected return on plan assets	40	48
Actuarial gains / (losses)	28	40
Contributions:		
By employer	83	89
By members	-	1
Benefits paid	(4)	(442)
At 31 March	1,000	853

Analysis of other pension costs charged in arriving at operating profit:	2014 £000	2013 £000
Current service cost	7	7
	7	7

Analysis of amounts credited to financial income:	2014 £000	2013 £000
Expected return on pension scheme assets	40	48
Interest on pension scheme liabilities	(37)	(35)
Amount credited to financial income	3	13

Actual return on assets in the year was £68,000 (2013: £88,000).

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of scheme liabilities	(818)	(846)	(815)	(807)	(839)
Fair value of scheme assets	1,000	853	1,117	1,034	903
Surplus / (deficit)	182	7	302	227	64

Experience adjustments	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Experience adjustments on scheme liabilities	47	35	45	7	77
Experience adjustments on scheme assets	28	40	(78)	(41)	182
Total adjustments	75	75	(33)	(34)	259

The company expects to contribute approximately £84,000 (2013: £75,000) to its defined benefit plans in the next financial year.

29 Controlling party

The company's immediate parent undertaking is Voyage HoldCo 2 Limited which is registered in England and Wales.

The company's ultimate parent undertaking is Voyage Holdings Limited which is registered in England and Wales.

Copies of the group financial statements of Voyage Holdings Limited may be obtained from:

The Company Secretary
Voyage Holdings Limited
Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP

Voyage Holdings Limited

Annual report and consolidated financial statements

Registered number 6836245

For the year ended 31 March 2014

Voyage Holdings Limited
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Strategic Report
For the year ended 31 March 2014

The directors present their strategic report for the year ended 31 March 2014.

Chairman's statement

Voyage Care provides a wide range of services for individuals with learning disabilities, acquired brain injuries and other complex needs. The care solutions we provide range from home care and supported living, where support is provided in a person's own home, through to residential care in our specially adapted homes. As ever, our focus continues to be on the needs of those we support.

Voyage Care remains the clear leader in the provision of residential care services for individuals with learning disabilities in the UK. As at 31 March 2014 the group had a residential capacity of 2,565 places, an increase of 46 places from the 2,519 places as at 31 March 2013. Over the year our residential occupancy increased to 91.2%.

Our Outreach business, offering care packages to individuals in their own homes also reported excellent growth and now delivers services to 666 (2013: 568 individuals), a 17% increase on the same time last year.

We also made a number of strategic acquisitions in the year. In November 2013 we acquired Ingleby Care which predominantly provides services for individuals with learning disabilities and complex needs in a supported living environment. Then, in March 2014, we purchased the freeholds of 13 properties previously leased to our operating subsidiary, Solor Care.

The breadth of service capability, from domiciliary to various types of residential care, ensures that we can always offer a care pathway tailored to the specific needs of the individual, thereby helping to achieve a better outcome for both the people we support and for purchasers.

The Government’s Comprehensive Spending Review (CSR), published in October 2010, remains a key factor in shaping the challenging operating environment as some Local Authorities continue to attempt to balance budgets in the light of reduced funding. Although the impact of fee challenges experienced in the current year was again lower than we had expected, each Local Authority is still affected to a greater or lesser extent by the CSR in the coming year. We continue to closely monitor and mitigate the impact for the group as far as possible.

Underpinning our performance and growth is a continued focus on the quality of the care we provide.

The group continues to operate its own quality assurance function to ensure that quality standards are continually driven forward. The success of this approach is reflected in the fact that we have achieved 95.4% overall compliance under the CQC rating regime. Of the residential services that have been inspected by CQC, 98.9% of services achieved 4 or 5 'ticks' out of a possible 5 based on current records available.

Quality is monitored by the Board via the Health, Safety and Quality Committee. The committee, chaired by an independent industry expert, comprises board members and non-board members. This committee provides an independent review of all serious incidents and reports its findings back to the Board, so that appropriate action can be taken.

Like all service companies, the key to our success is down to the quality of the people we employ.

During the last five years the number of people we employ has increased by approximately 37%. The Board are fully aware that the recruitment, training and retention of top quality staff is critical to the success of the group. As a result we have continued to invest heavily in training, approximately £2.1 million in the year, in order to ensure that our staff are fully up to date in the best ways of providing care for those we support.

During the year we have also made some major changes in the composition and structure of our senior management team. In particular we have appointed a new CEO, Kevin Roberts, who with the support of new and existing team members has spearheaded a dramatic improvement in the performance of the business since the middle of the financial year.

The current year has started well and we look forward to once again reporting an improvement in year on year performance on the back of continuing to provide a range of high quality value added services tailored to the needs of our individual customers and their funders.

Business review
The year under review has seen further strong progress towards achieving Voyage Care's objective of becoming the market leader in the provision of high quality care services for people with learning disabilities, acquired brain injuries and other complex needs. During the year we have integrated the ILG business, acquired in March 2013 and substantially integrated Ingleby Care Limited, acquired in November 2013.

In a tough trading environment EBITDA for the year ended 31 March 2014 (before exceptional items) declined by 7.6% from £43.8 million to £40.5 million. Operating profit before exceptional items for the year ended 31 March 2014 was £30.7 million (2013: £34.9 million). This decline was primarily due to:

- a 1.9% increase in the National Minimum Wage to £6.31;
- the introduction of pension auto-enrolment;
- a temporary increase in agency spend as a result of recruitment shortages;
- selective pay increases in certain geographical areas;
- fee reductions in certain areas; and
- investment in strengthening our quality assurance team.

At 31 March 2014, the group has net liabilities of £270,275,000 (2013: £205,677,000), which includes £394,254,000 (2013: £332,594,000) of shareholder loans which are repayable under certain circumstances (see note 15). Before shareholder loans, the consolidated balance sheet at 31 March 2014 shows that the group has net assets of £123,979,000 (2013: £126,917,000). This analysis is detailed on the consolidated balance sheet (see page 11). Correspondingly, for the year ended 31 March 2014, the group reported a loss before taxation and exceptional items of £54,204,000 (2013: £39,094,000), which includes £61,660,000 (2013: £50,771,000) of interest on shareholder loans. Before interest on shareholder loans, the consolidated profit and loss account shows a profit before taxation and exceptional items of £7,456,000 (2013: £11,677,000). This analysis is detailed on the consolidated profit and loss account (see page 9).

Key performance indicators
The board use a number of financial and non financial performance indicators to monitor the performance of the business. These are:

- Pre-exceptional EBITDA;
- % of services compliant under the CQC rating scheme; and
- Occupancy - both absolute number and % of capacity.

Principal risks
The principal risks facing the business and the controls in place to mitigate these, are as follows:

- The Government Comprehensive Spending Review (CSR) has resulted in a more challenging environment as Local Authorities attempt to balance budgets in the light of reduced funding. Each Local Authority is affected in a different way by the CSR and we continue to diligently monitor any impact for the group in our negotiations with them;
- Recruitment and retention of skilled care workers - the group has a bespoke system to deal with recruitment from first point of contact to employment, including Disclosure and Barring Service checks. Staff turnover is closely monitored and exit interviews performed to identify underlying trends;
- Ensuring the provision of high quality care to our service users - which is achieved by maintaining an appropriate balance between weekly fees and payroll costs. Weekly fees are always agreed with purchasers to reflect the care needs of the individual service user to ensure that the appropriate level of care is provided. Payroll costs are controlled by regular review of weekly care hours, through an in-house management system and close control of agency usage;
- Maintaining high occupancy levels - admissions and leavers amid progress of referrals for vacancies are formally reported to senior management on a weekly basis; and
- Changes in interest rates - during the prior year the group repaid the floating rate bank debt in place at the previous year end which was hedged by means of an interest rate swap. The Senior and Second Lien Notes now in place are fixed interest rate instruments.

Uncertainties facing the business

There are no major operational uncertainties facing the business and we anticipate that demand for our services will continue to be strong. The fragmented nature of the specialist care home market in the UK and increasing regulation continues to benefit high quality operators such as Voyage Care.

Health, Safety and Quality Committee

The board of directors operates a Health, Safety and Quality Committee, comprised of board members and non-board members. The functions of the Committee are to provide an independent review of serious and untoward care, support and clinical incidents to ensure that, in all cases referred to the Committee, compliance with the relevant standards and regulations has been achieved, or exceptions reported. The Committee will also support and advise the company to help provide a safe and secure care, support and clinical environment in the services, so to maximise the prospects of successful outcomes for all people we support. The Health, Safety and Quality Committee is chaired by Linda Owen (former senior officer at CQC) and, in addition comprises the Chief Executive, together with our Quality and Business Improvement Director and certain other members.

The group also continues to operate its own quality assurance function to ensure that quality standards are continually driven forward. This well established in-house team regularly reviews each service to ensure all statutory and national guideline obligations are met and ensure delivery of continually improving care and quality standards.

Future prospects

Our philosophy continues to be to place the people in our care at the heart of what we do - we recognise that our reputation and success are based upon their happiness and well being and that there is no one more important.

Over the coming years, we see growing demand for high quality care services which meet the needs of those who require support, care managers and families and we look forward to continuing strong growth.

By order of the board

P Sealey
Company Secretary

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP
19 June 2014

Voyage Holdings Limited
Directors' Report
For the year ended 31 March 2014

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

In accordance with section 414C(11) of the Companies Act, information that is required to be contained in the Directors' report has been included in the Strategic report, specifically the future prospects of the business.

Principal activities and review of the business
The principal activity of the company is to act as a holding company. The principal activity of the group is the provision of high quality care and support services for people with learning disabilities, acquired brain injuries and other complex needs.

Results and dividends
The results for the year are set out in detail on page 9.

The directors do not recommend the payment of a dividend (2013: £Nil).

Going concern
The group, of which the company is a member, is funded through a combination of shareholders' funds, Unsecured PIK Notes, Senior Secured Notes and Second Lien Notes. On 25 January 2013, the group issued £222 million of 6.5% Senior Secured Notes due 2018 and £50 million 11% Second Lien Notes due 2019. As part of the transaction the group also secured a £30 million Revolving Credit Facility.

The Series A, Series B, Series C and Series D Fixed Rate Unsecured PIK Notes are payable seven years following repayment of all amounts under the Senior Secured and Second Lien Notes or 25 January 2026 as a long stop. As a result the group has no requirement to repay debt prior to August 2018.

The business has net current liabilities of £6.1m and net liabilities of £270.3m as at 31 March 2014. Notwithstanding this, the group's trading cash forecasts, which take into account reasonably possible changes in trading activities, show that the group will be in compliance with all covenants and will have adequate funds to meet its liabilities, including debt servicing costs, for the foreseeable future. Forecast operating cash flow for 2014/15 is £38.5 million, compared to forecast debt service costs of £20.9 million, headroom of £17.6 million. In addition there is headroom of £22 million on the Revolving Credit Facility.

The directors therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

Employee involvement
The company has formal employee policies and procedures which are regularly reviewed and updated on matters of direct concern to employees.

Disabled persons
Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

Directors
The directors who held office during the year were:

G Smith	
P Schwalber	
A Land	
J B McKendrick	(resigned 6 August 2013)
A Winning	
K W Roberts	(appointed 6 August 2013)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Statement of disclosures to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

By order of the board

P Sealey
Company Secretary

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP
19 June 2014

Voyage Holdings Limited
Statement of directors' responsibilities in respect of the directors' report and the strategic report

The directors are responsible for preparing the directors' report and the strategic report in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the financial statements ("the financial statements") of Voyage Holdings Limited for the year ended 31 March 2014 set out on pages 9 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

K MacKenzie
Karen MacKenzie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

19 June 2014

Voyage Holdings Limited
Consolidated profit and loss account
For the year ended 31 March 2014

	Notes	2014 Before exceptional items (5,6) £000	2014 Exceptional items (1) £000	2014 Total £000	2013 Before exceptional items £000	2013 Exceptional items (4) £000	2013 Total £000
Turnover	*2*	196,056	-	196,056	181,384	-	181,384
Operating expenses	*3*	(165,351)	(10,737)	(176,088)	(146,458)	(14,149)	(160,607)
EBITDA (2)		40,506	(1,304)	39,202	43,847	(2,510)	41,337
Depreciation		(6,913)	(9,433)	(16,346)	(5,669)	(3,387)	(9,056)
(Loss) / Profit on disposal of fixed assets		(187)	-	(187)	279	(1,141)	(862)
Goodwill amortisation		(2,701)	-	(2,701)	(3,531)	(7,111)	(10,642)
Operating profit		30,705	(10,737)	19,968	34,926	(14,149)	20,777
Interest receivable	*7*	33	-	33	62	-	62
Other finance income	*28*	3	-	3	13	-	13
Interest payable on loan notes	*8*	(19,930)	-	(19,930)	(3,643)	-	(3,643)
Amortisation of loan issue costs (7)	*8*	(2,786)	-	(2,786)	(2,013)	(2,030)	(4,043)
Interest payable on bank loans (7)	*8*	(505)	-	(505)	(17,475)	-	(17,475)
Other finance costs (7)	*8*	(64)	-	(64)	(193)	-	(193)
Interest payable on shareholder loans (3)	*8*	(61,660)	-	(61,660)	(50,771)	-	(50,771)
(Loss) / profit before tax before interest payable on shareholder loans		7,456	(10,737)	(3,281)	11,677	(16,179)	(4,502)
Interest payable on shareholder loans (3)		(61,660)	-	(61,660)	(50,771)	-	(50,771)
Loss before taxation		(54,204)	(10,737)	(64,941)	(39,094)	(16,179)	(55,273)
Tax credit	*9*	422	-	422	2,553	-	2,553
Loss for the year		(53,782)	(10,737)	(64,519)	(36,541)	(16,179)	(52,720)

(1) Exceptional items in 2014 relate to restructuring costs of £1,304,000 due to the acquisitions of Solor Care, ILG and Ingleby Care and impairment to freehold land and buildings of £9,433,000.
(2) EBITDA represents earnings before interest, tax, depreciation and amortisation.
(3) Interest payable on shareholder loan notes is not settled immediately in cash.
(4) Exceptional items in 2013 relate to restructuring costs following the Solor Care acquisition of £2,510,000, impairment to freehold land and buildings of £3,387,000, impairment to goodwill of £7,111,000, loss on disposal of freehold land and buildings of £1,141,000 and £2,030,000 of debt issue cost amortisation.
(5) During the year the acquisition is Ingleby Care (note 26).
(6) Turnover relating to acquisitions is £1,580,000 (2013: £37,250,000). Operating expenses relating to acquisitions is £1,308,000 (2013: £35,050,000). Operating profit relating to acquisitions is £272,000 (2013: £2,200,000).
(7) Loan issue costs have been reclassified in 2014, as a result the 2013 comparative has been restated to reflect the reclassification.

There is no material difference between the reported loss and historical cost loss for the year. Accordingly, no note of historical cost profits and losses has been prepared.

Movements in reserves are set out in notes 19-21.

All results are derived from continuing operations.

Voyage Holdings Limited
Consolidated statement of total recognised gains and losses
For the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Loss for the financial year		(64,519)	(52,720)
Actuarial gain / (loss) recognised for the pension scheme	*28*	96	(390)
Restriction on surplus	*28*	(175)	-
Reversal of 2012 surplus not recognised		-	279
Total gains and losses related to the financial year		(64,598)	(52,831)

Voyage Holdings Limited
Consolidated balance sheet
at 31 March 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Intangible assets	*10*		31,318		32,729
Tangible assets	*11*		362,991		356,376
			394,309		389,105
Current assets					
Debtors	*13*	16,817		15,053	
Cash at bank and in hand		14,746		15,828	
		31,563		30,881	
Creditors: amounts falling due within one year	*14*	(37,667)		(30,391)	
Net current (liabilities) / assets			(6,104)		490
Total assets less current liabilities			388,205		389,595
Creditors: amounts falling due after more than one year	*15*				
Loan notes		(260,819)		(258,372)	
Shareholder loans		(394,254)		(332,594)	
			(655,073)		(590,966)
Provisions for liabilities and charges	*17*		(3,414)		(4,313)
Net liabilities excluding pension surplus			(270,282)		(205,684)
Pension surplus	*28*		7		7
Net liabilities including pension surplus			(270,275)		(205,677)
Net assets excluding shareholder loans including pension surplus			123,979		126,917
Shareholder loans	*15*		(394,254)		(332,594)
Net liabilities including pension surplus			(270,275)		(205,677)
Capital and reserves					
Called up share capital	*18*		-		-
Merger reserve	*19*		4,937		4,937
Profit and loss account	*20*		(275,212)		(210,614)
Equity shareholders' deficit	*21*		(270,275)		(205,677)

These financial statements were approved by the board of directors on 19 June 2014 and were signed on its behalf by:

A Winning
Director

Company registered no. 6836245

Voyage Holdings Limited
Company balance sheet
at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	*12*	-	-
Current assets			
Debtors	*13*	9	9
Total assets less current liabilities		9	9
Creditors: amounts falling due after more than one year	*15*	(20)	(20)
Net liabilities		(11)	(11)
Capital and reserves			
Called up share capital	*18*	-	-
Profit and loss account	*20*	(11)	(11)
Equity shareholders' deficit	*21*	(11)	(11)

These financial statements were approved by the board of directors on 19 June 2014 and were signed on its behalf by:

A Winning
Director

Company registered no. 6836245

Voyage Holdings Limited
Consolidated cash flow statement
For the year ended 31 March 2014

	Notes	2014 £000	2013 £000
CASH FLOW STATEMENT			
Cash flow from operating activities	27a	35,789	44,902
Returns on investments and servicing of finance	27b	(20,802)	(21,208)
Taxation		970	(1,710)
Capital expenditure and financial investment	27b	(19,547)	(7,285)
Acquisitions	27b	(5,488)	(41,540)
Cash (outflow) / inflow before financing		(9,078)	(26,841)
Financing	27b	7,996	17,717
Decrease in cash in the period		(1,082)	(9,124)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	2014 £000	2013 £000
Decrease in cash in the period		(1,082)	(9,124)
Net cash flow from (increase) / decrease in loans and finance leases		(7,996)	(17,717)
Non cash changes		(64,107)	(51,001)
Finance leases acquired with subsidiary		(11)	(70)
Movement in net debt in the year		(73,196)	(77,912)
Net debt at start of year		(575,183)	(497,271)
Net debt at end of year	27c	(648,379)	(575,183)

Voyage Holdings Limited
Notes
For the year ended 31 March 2014

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The group, of which the company is a member, is funded through a combination of shareholders' funds, Unsecured PIK Notes, Senior Secured Notes and Second Lien Notes. On 25 January 2013, the group issued £222 million of 6.5% Senior Secured Notes due 2018 and £50 million 11% Second Lien Notes due 2019. As part of the transaction the group also secured a £30 million Revolving Credit Facility.

The Series A, Series B, Series C and Series D Fixed Rate Unsecured PIK Notes are payable seven years following repayment of all amounts under the Senior Secured and Second Lien Notes or 25 January 2026 as a long stop. As a result the group has no requirement to repay debt prior to August 2018.

The business has net current liabilities of £6.1m and net liabilities of £270.3m as at 31 March 2014. Notwithstanding this, the group's trading cash forecasts, which take into account reasonably possible changes in trading activities, show that the group will be in compliance with all covenants and will have adequate funds to meet its liabilities, including debt servicing costs, for the foreseeable future. Forecast operating cash flow for 2014/15 is £38.5 million, compared to forecast debt service costs of £20.9 million, headroom of £17.6 million. In addition there is headroom of £22 million on the Revolving Credit Facility.

The directors therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2014. The acquisition method of accounting has been adopted. Under this method the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Turnover and profits arising on trading between group companies are eliminated on consolidation.

Under section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account. The amount of loss after taxation for the financial year for the company is £Nil (2013: £2,000).

Goodwill and negative goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets of the businesses acquired is capitalised and amortised over its estimated useful economic life of 20 years.

Negative goodwill is included within fixed assets and released to the profit and loss account in the periods in which the fair values of non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Leases

Assets obtained under finance lease and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

1 Accounting policies (continued)

Taxation including deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes expenditure incurred in bringing the asset into working condition for its intended use.

Depreciation is provided on a straight line basis at rates calculated to write off the cost of each asset to its residual value over its estimated useful life. The depreciation rates in use are:

Freehold land	Nil
Freehold buildings	2%
Motor vehicles	25%
Fixtures, fittings and equipment	20%
Computers	33%

Pension costs

The group contributes to the NHS defined benefit scheme, a group personal pension plan and a number of individual pension schemes.

The assets of all schemes are held separately from those of the group in separately administered funds.

Contributions to the NHS defined benefit scheme, the Group Personal Pension Plan and the individual pension schemes charged to the profit and loss account represent the contributions payable to the schemes in respect of the accounting period.

The group also contributes to an employer sponsored defined benefit scheme. The assets of the scheme are held separately from those of the group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses.

Segmental reporting

The group operates a single business segment providing care home and support services across the United Kingdom. The group's results and financial position are attributable to this one activity.

1 Accounting policies (continued)

Impairment of fixed assets and goodwill

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 **Turnover**

Turnover represents total fees receivable for services provided to third parties in the United Kingdom.

3 Operating expenses

	2014 £000	2013 £000
Operating expenses are stated after charging		
Direct expenses and consumables	8,077	7,834
Staff costs:		
Wages and salaries	112,078	102,271
Social security costs	7,901	7,318
Other pension costs	824	251
Operating lease rentals:		
Property rentals	4,102	4,338
Motor vehicles	2,919	2,538
Depreciation	6,913	5,669
Impairment to fixed assets	9,433	3,387
Loss on disposal of fixed assets	187	862
Goodwill amortisation charge	2,701	3,531
Impairment to goodwill	-	7,111
Other external charges	20,953	15,497
	176,088	160,607

4 Auditors' remuneration

	2014 £000	2013 £000
Audit of the group financial statements	5	5
Audit of financial statements of subsidiaries	133	156
Audit related assurance services	-	12
Audit related fees	138	173
Taxation compliance services	127	98
Other tax advisory services	53	45
Other assurance services	16	118
Corporate finance services	60	598
Other services	9	68
Non-audit fees	265	927
Total audit and non-audit fees	403	1,100

5 Directors emoluments

Total emoluments comprise:

	2014 £000	2013 £000
Emoluments	1,099	581
Compensation on loss of office	145	-
Pension contributions	55	56
	1,299	637

The emoluments of the highest paid director were £600,000 (2013: £320,000) and pension contributions of £14,000 (2013: £39,000) were made to a money purchase scheme on his behalf.

Three of the directors active in the year accrued benefits under money purchase pension schemes (2013: two directors).

6 Staff numbers

The average number of persons employed by the group (including directors) during the year was as follows:

	Number of employees 2014	2013
Administration	268	273
Care staff	7,984	7,223
	8,252	7,496

7 Interest receivable and similar income

	2014 £000	2013 £000
Bank interest receivable	33	62

8 Interest payable and similar charges

	2014 £000	2013 £000
Bank interest including RCF non-utilisation fees	501	13,966
Net interest rate swap	-	3,508
Loan notes interest	19,930	3,643
Amortisation of loan issue costs (including exceptional amortisation of £Nil (2013:£2,030,000))	2,786	4,043
Unwinding of discount on onerous lease provision	64	193
Hire purchase interest	4	1
Interest payable on bank loans, loan notes and hire purchase	23,285	25,354
Shareholder loans	61,660	50,771
	84,945	76,125

Interest on Shareholder loans of £61,660,000 (2013: £50,771,000) represents interest payable on the Series A, Series B, Series C and Series D Fixed Rate Unsecured PIK notes and is only payable following certain events as described in note 15.

Loan issue and debt costs have been reclassified in 2014, as a result £0.1 million has been assigned to loan issue costs from bank interest in 2013.

9 Taxation

	2014 £000	2013 £000
Analysis of (credit) / charge in year		
Current tax:		
UK corporation tax on profits of the period	99	126
Adjustments in respect of previous periods	(51)	(917)
	48	(791)
Deferred tax:		
Reversal of timing differences	(253)	(508)
Effect of change in tax rate on opening liability	381	66
Recognition of tax losses not previously recognised	18	(320)
Adjustments in respect of prior years deferred tax	(616)	(1,000)
	(470)	(1,762)
Tax (credit) / charge on loss on ordinary activities	(422)	(2,553)

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2014 £000	2013 £000
Loss on ordinary activities before taxation	(64,941)	(55,273)
Current tax at 23% (2013: 24%)	(14,936)	(13,266)
Effects of:		
Depreciation for year in excess of / (lower than) capital allowances	(45)	678
Expenses not deductible for tax purposes	10,881	10,637
Other short term timing differences	613	-
Goodwill amortisation and impairment	2,790	2,554
Depreciation on ineligible assets	868	147
Unrelieved tax losses	(72)	(624)
Adjustments in respect of prior periods	(51)	(917)
Total current tax charge / (credit) (see above)	48	(791)

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future tax charge accordingly. The deferred tax asset as at 31 March 2014 has been calculated based on the rates of 20% and 23% substantively enacted at the balance sheet date.

10 Intangible fixed assets

Group	Goodwill £000	Negative Goodwill £000	Total £000
Cost			
At 1 April 2013	71,356	(9,798)	61,558
Additions	1,908	-	1,908
Adjustments to fair value (see notes 24 and 25)	(1,118)	500	(618)
At 31 March 2014	72,146	(9,298)	62,848
Amortisation			
At 1 April 2013	29,254	(425)	28,829
Provided during the year	3,107	(406)	2,701
At 31 March 2014	32,361	(831)	31,530
Net book value			
At 31 March 2014	39,785	(8,467)	31,318
At 31 March 2013	42,102	(9,373)	32,729

Subsequent adjustments to fair value at acquisition were made in relation to Solor Care (see note 24) and ILG (see note 25).

On 21 November 2013, the group acquired 100% of the share capital of Ingleby Corporation Limited. Goodwill of £1,908,000 was capitalised and is being written back over 20 years (see note 26).

11 Tangible fixed assets

Group	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2013	423,258	44,526	1,936	469,720
Acquisitions	3,510	149	-	3,659
Additions	10,106	10,530	122	20,758
Disposals	(37,043)	(1,004)	(409)	(38,456)
At 31 March 2014	399,831	54,201	1,649	455,681
Depreciation				
At 1 April 2013	80,996	30,562	1,786	113,344
Acquisitions	-	56	-	56
Charge for the period	1,596	5,237	80	6,913
Impairment	9,433	-	-	9,433
Depreciation on disposals	(36,006)	(661)	(389)	(37,056)
At 31 March 2014	56,019	35,194	1,477	92,690
Net book value				
At 31 March 2014	343,812	19,007	172	362,991
At 31 March 2013	342,262	13,964	150	356,376

The impairment charge relates to four freehold properties, of which, three are in the process of being disposed and one was disposed of during the year. They have been written down to their respective net realisable values.

Included within freehold land and buildings is freehold land totalling £72,404,000 (2013: £74,426,000) which is not depreciated and costs of £2,360,000 (2013: £2,740,000) in respect of properties in the course of being converted into care homes which are not depreciated until the properties in question are brought into use.

12 Investments

Company	**Investments in subsidiary undertakings £000**
At beginning and end of year	-

The principal subsidiary undertakings of the company, all of which are registered in Great Britain, are summarised as follows:

Subsidiary	**Nature of business**	**Country of incorporation**	**Holding**	**Proportion held %**
Voyage Group Limited	Intermediate holding company	England	Ordinary	100
Voyage GuaranteeCo Limited **	Intermediate holding company	England	Ordinary	-
Voyage HoldCo 1 Limited *	Intermediate holding company	England	Ordinary	100
Voyage MezzCo Limited *	Intermediate holding company	England	Ordinary	100
Voyage HoldCo 2 Limited *	Intermediate holding company	England	Ordinary	100
Voyage BidCo Limited *	Intermediate holding company	England	Ordinary	100
Voyage Healthcare Group Limited *	Intermediate holding company	England	Ordinary	100
Voyage Care Limited *	Intermediate holding company	England	Ordinary	100
Voyage 1 Limited *	Community care	England	Ordinary	100
Voyage 2 Unlimited *	Community care	England	Ordinary	100
Voyage Recruitment Limited *	Employment services	England	Ordinary	100
Voyage Healthcare Limited *	Intermediate holding company	England	Ordinary	100
Voyage Secure Limited *	Community care	England	Ordinary	100
Voyage Limited *	Community care	England	Ordinary	100
Voyage 3 Limited *	Employment services	England	Ordinary	100
Voyage 4 Limited *	Intermediate holding company	England	Ordinary	100
Voyage Specialist Healthcare Limited *	Community care	England	Ordinary	100
Voyage Care BondCo PLC *	Investment company	England	Ordinary	100
Solor Care Holdings Limited *	Intermediate holding company	England	Ordinary	100
Graphite Estates Limited *	Property management	England	Ordinary	100
Life Links Limited *	Community care	England	Ordinary	100
Solor Care (South West) Limited *	Community care	England	Ordinary	100
Solor Care London Limited *	Community care	England	Ordinary	100
Solor Care Homes Limited *	Community care	England	Ordinary	100
Solor Care South East (2) Limited *	Community care	England	Ordinary	100
Solor Care West Midlands Limited *	Community care	England	Ordinary	100
Solor Care Holdings (2) Limited *	Intermediate holding company	England	Ordinary	100
Solor Care London (3) Limited *	Community care	England	Ordinary	100
Solor Care Limited *	Community care	England	Ordinary	100
Solor Care South East Limited *	Community care	England	Ordinary	100
Solor Care East Midlands Limited *	Community care	England	Ordinary	100
Solor Care Holdings (3) Limited *	Intermediate holding company	England	Ordinary	100
Solor Care Group Limited *	Community care	England	Ordinary	100
ILG Limited *	Intermediate holding company	England	Ordinary	100
Communitas Holdings Limited *	Intermediate holding company	England	Ordinary	100
Evesleigh Acquisitions Limited *	Intermediate holding company	England	Ordinary	100
ILIACE Holdings Limited *	Intermediate holding company	England	Ordinary	100
PS25 Limited *	Intermediate holding company	England	Ordinary	100
Opus Acquisitions Limited *	Intermediate holding company	England	Ordinary	100
Evesleigh (East Sussex) Limited *	Community care	England	Ordinary	100
Evesleigh (Kent) Limited *	Community care	England	Ordinary	100
Cove Care (Mountain Ash RH) Limited *	Community care	England	Ordinary	100
Evesleigh Care Homes Limited *	Community care	England	Ordinary	100
ILIACE Limited *	Community care	England	Ordinary	100
Rivers Reach Care Limited *	Community care	England	Ordinary	100
Ingleby Corporation Limited *	Intermediate holding company	England	Ordinary	100
Ingleby Care Limited *	Community care	England	Ordinary	100
Ingleby House Limited *	Community care	England	Ordinary	100

* Held by a subsidiary undertaking
** This company is limited by guarantee and held by a subsidiary undertaking

13 Debtors

	2014 Group £000	**2014 Company £000**	**2013 Group £000**	**2013 Company £000**
Trade debtors	12,138	-	9,607	-
Deferred tax asset (see note 17)	2,817	-	2,347	-
Corporation tax	304	-	1,534	-
Other debtors	261	9	340	9
Prepayments and accrued income	1,297	-	1,225	-
	16,817	9	15,053	9

14 Creditors: amounts falling due within one year

Group	2014 £000	2013 £000
Bank Loan	8,000	-
Obligations under finance lease and hire purchase contracts (see note 16)	52	45
Trade creditors	3,704	3,682
Other taxes and social security costs	2,021	2,324
Other creditors	9,932	9,305
Accruals and deferred income	9,566	10,967
Fees billed in advance	4,392	4,068
	37,667	30,391

15 Creditors: amounts falling due after more than one year

	2014 Group £000	2014 Company £000	2013 Group £000	2013 Company £000
Loan notes	260,819	-	258,372	-
Shareholder loans	394,254	-	332,594	-
Amounts owed to group undertakings	-	20	-	20
	655,073	20	590,966	20

Loan notes include unamortised issue costs and original issue discount of £11,181,000 (2013: £13,628,000).

Total debt can be analysed as falling due:

Group	2014 £000	2013 £000
In one year or less	8,052	45
Between one and two years	-	-
Between two and five years	260,819	-
After five years	394,254	590,966
	663,125	591,011

Loan notes

On 25 January 2013, the group issued £272 million of loan notes comprising £222 million Senior Secured Notes due 2018 and £50 million Second Lien Notes due 2019. In addition, the group is party to a £30 million Revolving Credit Facility. Issue costs before amortisation were £14,100,000. The notes are listed on the Luxembourg Stock Exchange.

The interest rate and repayment terms of these loan notes are as follows:

Debt instrument	Current balance £000	Interest rate/margin	Final repayment date
Senior secured loan notes	222,000	6.50%	Aug-18
Second lien notes	50,000	11.00%	Feb-19
Revolving Credit Facility	8,000	LIBOR +4%	Aug-18

Shareholder loans

Shareholder loans comprise the following instruments:

			2014		
Fixed rate unsecured PIK notes	Interest rate per annum	Interest compounds on	Principal £000	Accrued interest £000	Total £000
Series A	15%	31 December	235,717	9,291	245,008
Series B	15%	31 December	7,763	12,674	20,437
Series C	25%	31 October and 30 April	114,846	11,878	126,724
Series D	25%	31 October and 30 April	1,051	1,034	2,085
			359,377	34,877	394,254

			2013		
Fixed rate unsecured PIK notes	Interest rate per annum	Interest compounds on	Principal £000	Accrued interest £000	Total £000
Series A	15%	31 December	205,452	7,599	213,051
Series B	15%	31 December	7,763	10,008	17,771
Series C	25%	31 October and 30 April	90,933	9,191	100,124
Series D	25%	31 October and 30 April	1,051	597	1,648
			305,199	27,395	332,594

The Series A and Series C Unsecured PIK Notes are on the official list of the Channel Islands Stock Exchange. The Series A, Series B, Series C and Series D Fixed Rate Unsecured PIK Notes are payable seven years following repayment of all amounts under the Senior Secured and Second Lien Notes or 25 January 2026 as a long stop.

16 Obligations under finance leases and hire purchase contracts

Group	**2014 £000**	**2013 £000**
Amounts payable:		
Within one year	52	45
	52	45

17 Provisions for liabilities and charges

Group	**2014 £000**	**2013 £000**
Onerous leases and dilapidations	3,414	4,313
Deferred tax liability	-	-
	3,414	4,313

The elements of deferred taxation are as follows:

	2014 £000	**2013 £000**
Accelerated capital allowances	(2,322)	(1,937)
Other timing difference	(73)	(76)
Tax losses	(422)	(334)
	(2,817)	(2,347)

Recognised in:

	2014 £000	**2013 £000**
Debtors (see note 13)	(2,817)	(2,347)
Provisions for liabilities and charges	-	-
	(2,817)	(2,347)

The movement in provisions were:

	Deferred tax £000	**Onerous leases and Dilapidations £000**
At beginning of year	(2,347)	4,313
Acquisition	-	-
Profit and loss account	(470)	(212)
Fair value adjustments (see note 24)	-	(687)
At end of year	(2,817)	3,414

Deferred tax assets totalling £4,165,000 (2013: £2,104,000) have not been recognised as it is improbable that sufficient taxable profits will arise in the related entities against which the losses can be utilised.

18 Share capital

Group and company	**2014 £000**	**2013 £000**
Allotted, called up and fully paid:		
4,000,000 ordinary shares of £0.0001 each	-	-
435,050 "C" preferred shares of £0.0001 each	-	-
1,100,200 "D" preferred chares of £0.0001 each	-	-
	-	-

The ordinary shares entitle the holders to vote at general meetings of the company, and to receive by way of dividend any profits of the Company available for distribution, provided all amounts due or payable in respect of the C and D preferred shares have been paid in full. On winding up of the Company the balance of assets, subject to special rights attached to any other class of shares, will be distributed among the ordinary shareholders.

The C and D preferred shares rank pari passu in all respects except for the following. The holders of the C and D preferred shares are not entitled to vote at general meetings of the company, and have no right to receive dividends or any distribution out of the profits of the company available for distribution. On winding up of the company or on an exit (as defined in the articles of association), the holders of the C and D preferred shares are entitled to receive an aggregate amount up to £10 per C preferred share and £5 per D preferred share held, in priority to holders of any other class of shares, including the ordinary shares.

19 Merger reserve

Group	**2014 £000**	**2013 £000**
At beginning of year	4,937	4,937
Movement in the financial year	-	-
At end of year	4,937	4,937

The merger reserve arose as a result of the group restructure which occurred on 7 October 2009.

20 Profit and loss account

Group	**2014 £000**	**2013 £000**
At beginning of year	(210,614)	(157,783)
Loss for the financial year	(64,519)	(52,720)
Actuarial gain / (loss) recognised for the pension scheme	96	(390)
Restriction on surplus	(175)	-
Reversal of 2012 surplus not recognised	-	279
At end of year	(275,212)	(210,614)

Company	**2014 £000**	**2013 £000**
At beginning of year	(11)	(9)
Loss for the financial year	-	(2)
At end of year	(11)	(11)

21 Reconciliation of movement in shareholders' deficit

Group	**2014 £000**	**2013 £000**
Opening shareholders' deficit	(205,677)	(152,846)
Loss for the financial year	(64,519)	(52,720)
Actuarial gain / (loss) recognised for the pension scheme	96	(390)
Restriction on surplus	(175)	-
Reversal of 2012 surplus not recognised	-	279
Closing shareholders' deficit	(270,275)	(205,677)

Company	**2014 £000**	**2013 £000**
Opening shareholders' deficit	(11)	(9)
Loss for the financial year	-	(2)
Closing shareholders' deficit	(11)	(11)

22 Commitments

The group had annual commitments under non-cancellable operating leases as follows:

	2014		**2013**	
	Land and buildings £000	**Other assets £000**	**Land and buildings £000**	**Other assets £000**
Operating leases which expire:				
Within one year	786	1,306	491	1,008
Between two and five years	296	1,534	579	1,716
Five years	2,145	-	3,316	-
	3,227	2,840	4,386	2,724

23 Related party transactions

As permitted by Financial Reporting Standard 8 "Related party disclosures", the company has taken advantage of the exemption for wholly owned subsidiaries not to disclose related party transactions with group entities.

During the period, the following transactions took place between the group and its other related parties:

Corporate related parties

Consultancy fees of £90,000 (2013: £90,000) and expenses of £7,073 (2013: £5,222) were paid to Hg Pooled Management Limited.

The following instruments were issued during the year:

		2014		2013	
		Hg Capital Nominees Limited £	Standard Life £	Hg Capital Nominees Limited £	Standard Life £
Series A fixed rate unsecured notes	In payment of the interest for the 12 months to 31 December	**22,043,303**	**8,668,120**	19,213,739	7,555,446
Series C fixed rate unsecured notes	In payment of the interest for the 6 months to 30 April	**7,937,983**	**3,121,464**	4,935,894	1,940,949
Series C fixed rate unsecured notes	In payment of the interest for the 6 months to 31 October	**9,225,923**	**3,627,392**	7,109,038	2,795,497
Series C fixed rate unsecured notes	Additional notes issued for cash consideration	**-**	**-**	14,317,671	5,630,158

The total holding of fixed rate unsecured notes at 31 March is as follows:

	2014		2013	
	Hg Capital Nominees Limited £	Standard Life £	Hg Capital Nominees Limited £	Standard Life £
Series A fixed rate unsecured notes	**168,998,660**	**66,455,586**	146,955,356	57,787,466
Series C fixed rate unsecured notes	**82,431,612**	**32,414,169**	65,267,707	25,665,313

Accrued interest on the fixed rate unsecured notes is as follows:

		2014		2013	
	In payment of the interest for	Hg Capital Nominees Limited £	Standard Life £	Hg Capital Nominees Limited £	Standard Life £
Series A fixed rate unsecured notes	1 January to 31 March	**6,250,635**	**2,547,946**	5,435,335	2,137,345
Series C fixed rate unsecured notes	1 November to 31 March	**8,525,461**	**3,352,424**	6,596,866	2,594,095

Directors

Directors' holdings of, and interest accrued at 31 March 2014 on, Series A and D Fixed Rate Unsecured PIK Notes is as follows:

	Series	Amounts issued during the period £	Capital £	Accrued interest £
Graham Smith	A	-	262,409	582,913
Graham Smith	D	-	200,000	116,658
Andrew Winning	D	-	100,000	58,329

24 Solor care acquisition

On 20 April 2012, the group acquired Solor Care Holdings Limited and all of its subsidiaries. The fair value of the assets acquired and the resulting goodwill is set out below:

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Fixed assets	21,256	8,667	29,923
Debtors	1,951	275	2,226
Deferred tax asset	926	-	926
Creditors	(6,398)	(1,174)	(7,572)
Bank overdraft	(459)	-	(459)
Finance leases	(70)	-	(70)
	17,206	7,768	24,974
Goodwill			2,715
			27,689
Satisfied by:			
Cash			26,428
Costs associated with acquisition			1,261
Total costs of acquisition			27,689

The fair value adjustments bring the freehold property, fixtures and fittings in line with their fair value as at the acquisition date. A reconciliation of the goodwill movement is shown below:

	Goodwill adjustment £000	Total £000
Goodwill at 1 April 2013		3,833
Debtors adjustment to fair value adjustment:	(275)	
Adjustment to consideration	(156)	
Reduction in onerous lease provision (see note 17)	(687)	
Total adjustment to goodwill (see note 10)		(1,118)
Goodwill at 31 March 2014		2,715

25 ILG acquisition

On 10 March 2013, the group acquired ILG Limited and all of its subsidiaries. The fair value of the assets acquired and the resulting goodwill is set out below:

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Fixed assets	20,216	-	20,216
Debtors	1,236	-	1,236
Deferred tax	(24)	-	(24)
Creditors	(1,288)	(500)	(1,788)
Bank overdraft	(287)	-	(287)
Finance leases	-	-	-
	19,853	(500)	19,353
Negative goodwill			(6,404)
			12,949
Satisfied by:			
Cash			12,368
Costs associated with acquisition			581
Total costs of acquisition			12,949

The fair value adjustments bring the creditors in line with their fair value as at the acquisition date.

26 Ingleby Care acquisition

On 20 November 2013, the group acquired Ingleby Corporation Limited and all of its subsidiaries. The provisional fair value of the assets acquired and the resulting goodwill is set out below:

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Fixed assets	2,426	1,177	3,603
Debtors	769	-	769
Cash in hand, Bank	685	-	685
Creditors	(625)	-	(625)
Finance leases	(11)	-	(11)
	3,244	1,177	4,421
Goodwill			1,908
			6,329
Satisfied by:			
Cash			6,119
Costs associated with acquisition			210
Total costs of acquisition			6,329

The fair value adjustments bring the freehold property, fixtures and fittings in line with their fair value as at the acquisition date.

The acquired undertaking made a profit before tax of £290,000 from the beginning of its financial year to the date of acquisition.

27 Notes to the group cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	2014 £000	2013 £000
Operating profit	19,968	20,777
Depreciation and impairment charges	16,346	9,056
Loss / (profit) on disposal of fixed assets	187	862
Goodwill amortisation and impairment	2,701	10,642
(Increase) / decrease in debtors	(2,256)	(168)
(Decrease) / increase in creditors	(1,157)	3,733
Net cash inflow from operating activities	35,789	44,902

b Reconciliation of other items in the cash flow statement

	2014 £000	2013 £000
Returns on investments and servicing of finance		
Interest received	33	62
Other finance cost	3	13
Interest paid	(20,838)	(21,283)
	(20,802)	(21,208)
Capital expenditure		
Payments to acquire tangible fixed assets	(20,758)	(8,230)
Receipts from sales of tangible fixed assets	1,211	945
	(19,547)	(7,285)
Acquisitions		
Acquisitions	(6,173)	(40,794)
Cash / (overdraft) acquired with subsidiaries	685	(746)
	(5,488)	(41,540)
Financing		
Repayment of loans	-	(260,680)
Loan advance from RCF	8,000	-
New loans less issue expenses	-	20,498
Loan notes issued	-	272,000
Issue costs and original issue discount on loan notes	-	(14,076)
Finance lease payments	(4)	(25)
	7,996	17,717

c Analysis of changes in net debt

	At 1 April 2013 £000	Cash flows £000	Acquisition £000	Non-cash changes £000	At 31 March 2014 £000
Cash at bank and in hand	15,828	(1,767)	685		14,746
Finance leases	(45)	4	(11)	-	(52)
Bank Loans Debt due within one year	-	(8,000)	-	-	(8,000)
Loan notes Debt due after one year	(258,372)	-	-	(2,447)	(260,819)
Shareholder loans: Debt due after one year	(332,594)	-	-	(61,660)	(394,254)
	(591,011)	(7,996)	(11)	(64,107)	(663,125)
Net debt	(575,183)	(9,763)	674	(64,107)	(648,379)

28 Pension schemes

The group contributes to a number of pension schemes for its employees. Details of these schemes are as follows:

The group contributes on a defined contribution basis to the Peoples Pension under Auto-enrolment, a group personal pension plan and personal pension plans for certain managers.

The group contributes to the National Health Service pension scheme for certain employees, whereby the group is required to make contributions into this scheme at a percentage, as notified by the NHS pension scheme administrator, of the relevant employees' salary. The assets of this pension scheme are managed independently of the group. Employer contribution rates are 14% of pensionable salaries.

The group also participates in a group funded defined benefit scheme, the Voyage Retirement Benefit Scheme, for certain employees. Contributions into this scheme are made in accordance with the advice of the Scottish Life Assurance Company, independent actuaries. The latest actuarial valuation was performed on 1 April 2011 using the projected unit method. The principal assumptions adopted in the valuation were that the investment return would be 5.9% per annum compound and the real rate of investment over salary growth would be 1.7% per annum compound.

At the date of the latest actuarial valuation at 1 April 2011, the market value of the assets of the scheme was £1,312,000 and the actuarial value of the assets was sufficient to cover 82% of the benefits that had accrued to members, after allowing for expected future increase in earnings.

The pension cost for the group in 2014 was £824,000 (2013: £251,000). An amount of £106,000 (2013: £28,000) is included in accruals which represents the excess accumulated pension cost over the payment of contributions to the various schemes.

FRS 17 valuation

The valuation at 1 April 2011 has been updated by the actuary on a FRS 17 basis as at 31 March 2014. The major assumptions used in this valuation were:

	2014 %	**2013 %**
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions in payment	3.0	3.0
Discount rate	4.5	4.4
Inflation assumption	3.4	3.4

The assumptions used by the actuary are the best estimate chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31 March 2014 £000	**Value at 31 March 2013 £000**
Fair value of plan assets		
Insurance policy	1,000	853
Present value of scheme liabilities	(818)	(846)
Surplus in the scheme	182	7
Excess not recognised	(175)	-
Net pension surplus	7	7

28 Pension schemes *(continued)*

Movements in present value of defined benefit obligation

	2014 £000	2013 £000
At 1 April	846	815
Current service cost	7	7
Interest cost	37	35
Actuarial losses / (gains)	(68)	430
Contributions by members	-	1
Benefits paid	(4)	(442)
At 31 March	818	846

Movements in fair value of plan assets

	2014 £000	2013 £000
At 1 April	853	1,117
Expected return on plan assets	40	48
Actuarial gains / (losses)	28	40
Contributions:		
By employer	83	89
By members	-	1
Benefits paid	(4)	(442)
At 31 March	1,000	853

Analysis of other pension costs charged in arriving at operating profit

	2014 £000	2013 £000
Current service cost	7	7
	7	7

Analysis of amounts credited to financial income

	2014 £000	2013 £000
Expected return on pension scheme assets	40	48
Interest on pension scheme liabilities	(37)	(35)
Amount credited to financial income	3	13

Actual return on assets in the year was £68,000 (2013: £88,000).

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of scheme liabilities	(818)	(846)	(815)	(807)	(839)
Fair value of scheme assets	1,000	853	1,117	1,034	903
Surplus / (deficit)	182	7	302	227	64

Experience adjustments

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Experience adjustments on scheme liabilities	47	48	45	7	77
Experience adjustments on scheme assets	28	(35)	(78)	(41)	182
Total adjustments	75	13	(33)	(34)	259

The company expects to contribute approximately £84,000 (2013: £75,000) to its defined benefit plans in the next financial year.

29 Controlling party

Voyage Holdings Limited is ultimately majority-owned by investors whose investments are managed by Hg Capital. The directors do not consider there to be an ultimate controlling party.