Voyage BidCo Limited

Results for the year ended 31 March 2015

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 Viking HoldCo Limited (previously 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 Viking HoldCo Limited or Voyage BidCo Limited and their consolidated subsidiaries, unless the context otherwise requires. Our registered office is located at Wall Island, Birmingham Road, Lichfield, Staffordshire, WS14 0QP 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 2015**	**FYE 2014**
Turnover	203.0	196.1
EBITDA (before exceptional items)	43.8	40.5
Operating profit	26.0	20.0
Profit / (loss) for the period	4.8	(2.9)
Cash flow from operating activities *	44.0	36.8
Net Debt:		
Senior Secured Notes	222.0	222.0
Second Lien Notes	50.0	50.0
Revolving credit facility	5.0	8.0
Unamortised original issue discount on Second Lien Notes	(0.5)	(0.6)
Gross Debt	276.5	279.4
Cash at bank and in hand	(15.5)	(14.7)
Restricted cash & deferred consideration	1.6	1.3
Total	262.7	266.0
Net Debt / EBITDA (before exceptional items) **	5.99x	6.57x

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

Commentary on results

Strong performance, the key highlights of which are:

Performance during FYE 2015 vs. FYE 2014
- Turnover up 3.5% to £203.0 million largely driven by the Ingleby Care, Primary care and Skills for Living acquisitions
- EBITDA before exceptional items up 8.1% to £43.8 million
- Like-for-like turnover growth of 0.2% to £194.9 million
- Quality scores remains high, with 85% of services achieving a rating of Good or Outstanding following inspection against the new requirements introduced in October 2014
- Occupancy consistent at 95%
- Outreach average weekly invoiced hours increased by approximately 2,000 to 22,900 hours per week

Recent developments
- Acquired Primary Care in June 2014 for £1.1 million, 3.5x multiple
- Acquired Skills For Living in August 2014 for £5.4 million, 5.1x multiple
- Acquired Redcliffe in March 2015 for £1.3 million, 5.7x multiple

Management changes
- Appointment of Gavin Simonds as Non-Executive Chairman (January 2015)
- Kevin Roberts stepped down from his position as Chief Executive Officer (January 2015)
- Andrew Winning appointed Interim Chief Executive Officer (January 2015)
- Appointment of Andrew Cannon as Chief Executive Officer (commences August 2015)

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 3,101 people as at 31 March 2015. 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 the NHS and therefore require on-going care services to help them look after themselves. Approximately 73% 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, 94% is paid for by Local Authorities and the NHS and, as at 31 March 2015, 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 85% of services inspected achieving a rating of Good or Outstanding following inspection against the new requirements introduced in October 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 public without appropriate care. With approximately 8,600 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 £1,480 per person for the year ended 31 March 2015.

At 31 March 2015, we provided care to 2,404 individuals through our residential division with a total capacity of 2,661 residential beds and supported a further 697 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 Operating Officer, our team of six regional managing directors, 40 operations managers and 310 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 continue to provide effective independent assurance with all registered locations now receiving a minimum two day independent review annually. Our Quality and Compliance team continue to be independent of Operations and report through to our Director of Quality. The Director of Quality reports directly to our Interim 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 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 Service Risk Scorecard dashboard that uses information from various systems and collates the risk scores for each service. The Service Risk Scorecard report helps identify the services that are at the highest risk in terms of the safe and effective delivery of care. Our six regional managing directors report to the Chief Operating Officer and are each responsible for an average of seven operations managers and have a combined experience of more than 150 years in the provision of care to people with learning disabilities.

Our Operations teams, led by our regional Managing Directors are responsible 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 larger 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 288 registered homes as at 31 March 2015. We hold the freehold interest in 248 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 2015 we had 2,136 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 2015, we provided services in 135 Communal Supported Living locations with 525 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 residential services have a combined 2,661 beds, with an average of 6 beds per residential service, 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. At 31 March 2015, the outreach division delivered approximately 21,700 hours of care per week, providing bespoke services to approximately 697 individuals, with support averaging approximately 31 hours per week per person.

Recent developments

On 27 June 2014, we acquired Primary Care UK for £1.1 million, £0.2 million deferred until successful accession to a new framework in approximately June 2016, £0.3 million post synergy EBITDA, 3.5x multiple.

On 20 August 2014, we acquired Skills For Living for £5.4 million (including cash acquired), £1.1 million post synergy EBITDA, 5.1x multiple.

On 11 March 2015, we acquired Redcliffe for £1.3 million, £0.2 million post synergy EBITDA, 5.7x multiple.

Organisational developments

Appointment of Gavin Simonds as Non-Executive Chairman (January 2015). Gavin replaces Graham Smith, who retired as Chairman after eight years in the role.

Kevin Roberts stepped down from his position as Chief Executive Officer (January 2015). Chief Financial Officer, Andrew Winning, has been appointed Interim Chief Executive Officer, reporting to Gavin Simonds.

Appointment of Andrew Cannon as Chief Executive Officer (announced June 2015). Andrew will commence his position on 25 August 2015.

Other key changes

RCF agreement amended during December 2014, increasing the available facility from £30.0 million to £45.0 million.

RCF guarantor coverage increased by the accession of additional guarantors. EBITDA & asset coverage has increased to approximately 95% of the restricted group.

Employees

The employee headcount at 31 March 2015 was 8,600 and included 8,120 support staff (including bank workers) and service managers, 100 nurses and therapists, 6 managing directors, 40 operations managers, 104 other service staff, and 230 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 4,000 hours per week on average across our services for the year ended 31 March 2015. 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 people we support 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, we provide an average of 12 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 70% of our service managers and support staff had been employed by us for more than twelve months at 31 March 2015. 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.

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 Viking HoldCo Limited (the ultimate parent undertaking of Voyage BidCo Limited), is composed of the following members:

Name	Job Title	Name	Job Title
Andrew Winning	Interim Chief Executive	Andrew Deakin	Investor Director - Partners Group
Gavin Simonds	Non-Executive Chair	Nicholas Meier	Investor Director - Partners Group
		Charlie Troup	Investor Director - Duke Street
Appointments after 31 March 2015		Douglas Quinn	Investor Director - Duke Street
Andrew Cannon	Chief Executive Officer		

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

Andrew Winning (Interim Chief Executive) became Interim Chief Executive in January 2015 and will return to the role of Chief Financial Officer in August 2015 which he has held since he joined in February 2011. Prior to joining Voyage, Andrew completed two successful private equity exits in the multi-site leisure sector as Chief Financial Officer, 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.

Gavin Simonds (Non-executive Chairman) joined the Board of Viking HoldCo Limited as Non-Executive Chairman in January 2015. Gavin has acted as Non-Executive Chairman of a number of public and private companies. Within the healthcare sector this includes Craegmoor, a provider of support to people with learning disabilities and the elderly, and Classic Hospitals (now part of Spire Hospitals). Prior to his non-executive career, Gavin worked in the City and the hotel sector, latterly as joint Managing Director of InterContinental Hotels.

Andrew Deakin (Investor Director – Partners Group) has been a director of Viking HoldCo Limited since September 2014. Andrew leads Partners Group's private equity team in London and has been with them since 2013. Prior to this Andrew worked at Phoenix Equity Partners, Deloitte Corporate Finance and PricewaterhouseCoopers. Andrew has been involved in a broad range of consumer, leisure, healthcare and financial services businesses including International Schools Partnership, Partnership Assurance, Gaucho and Weststar Holidays. He has a degree in economics from the University of Nottingham and is also a qualified Chartered Accountant.

Nicolas Meier (Investor Director – Partners Group) has been a director of Viking HoldCo Limited since September 2014. Nicolas is part of Partners Group's European private equity direct investment team, based in Zug and London. He has been with Partners Group since 2006 and predominantly focuses on healthcare investments in Europe. Investments he has historically been involved with include Oasis Dental, Cabot Financial and Lifeways Community Care. Prior to joining Partners Group, Nicolas had assignments at Ernst & Young and UBS Investment Bank. He holds a degree in economics from the University of St. Gallen (HSG), Switzerland, and is a CFA charterholder.

Charlie Troup (Investor Director – Duke Street) has been a director of Viking HoldCo Limited since September 2014. Charlie joined Duke Street as a Partner in 2006 and has worked on a number of recent deals including leading the acquisition and partial realisation of SandpiperCI and Payzone and the acquisitions of Laurel Funerals and Baywater Healthcare. Charlie joined Duke Street from Permira where he'd worked since 1995, becoming a partner in 2001. While there he worked on a range of transactions including Inmarsat and the AA. Charlie has a degree in mechanical engineering from Imperial College, London, and is a qualified Chartered Accountant.

Douglas Quinn (Investor Director – Duke Street) joined the board of Viking HoldCo Limited as a Non-executive Director in September 2014. Douglas held executive positions with Voyage from 2002 until 2010, and was the CEO from 2006 to 2010. He has over 30 years' experience in the care sector and as well as his role on the Voyage board, Douglas is: Chairman of Baywater Healthcare, another Duke Street investment and a leading respiratory services provider in the UK; Chairman of Acorn Care and Education, the UK's leading provider of education and care for vulnerable young people; and Chairman of Your Care Rating, an independent not-for-profit partnership with Ipsos Mori which surveys the views of elderly people living in care homes. Douglas is also an Operating Partner at Duke Street and a Non-executive Director and Treasurer of Care England, the care sector's leading representative body.

Appointments after 31 March 2015

Andrew Cannon (Chief Executive Officer) will be appointed as Chief Executive Office in August 2015. Andrew is currently Managing Director of Bupa Care Services leading a team of 27,000 people across 300 residential homes and five care villages, and caring for 40,000 people. Prior to this Andrew was Director of Healthcare Delivery at Bupa, responsible for service call centres, claims (UK and India), administration services and a network of treatment 'Centres of Excellence' across the UK. A qualified accountant with an MBA in European Business (distinction) and a BA Hons, Andrew's previous experience was in a variety of sectors. He has worked for British Airways, MyTravel, Greenalls and, immediately prior to Bupa, he was the Finance Director of a private equity backed telecoms business

Senior Management Team

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

Name	Job Title
Carl Brown	Director of Finance
Jayne Davey	Chief Operating Office
Matthew Flinton	Commercial Director
Amanda Griffiths	Director of Quality
John McGarry	Property Director
James Poletyllo	Director of Resourcing & Development
Philip Sealey	Company Secretary
Regional Managing Directors	
David Green	Managing Director, South
Karen Harkin	Managing Director, North
Wendy Salt	Managing Director, Central West
Charlotte Smith	Managing Director, Central East
Selina Wall	Managing Director, South West
Appointments after 31 March 2015	
Sue Donley	Human Resource Director
Helen Hodgson	Managing Director, Specialist Healthcare
Alan Marshall	Managing Director, Community Services
Ayesha Trott	Managing Director, South East

Carl Brown (Director of Finance) re-joined the Group in March 2015, having being previously with the Group from 2005 to 2011 in the role of Group Financial Controller. Carl has spent the last four years in Toronto holding a leadership role in the Canadian healthcare sector. Carl qualified as a chartered accountant with KPMG and has a degree in Economics from Aberystwyth University and a MSc in Economics from Nottingham University.

Jayne Davey (Chief Operating Officer) was appointed in February 2015 as Chief Operating Officer. Jayne had previously been the Group's Director of Quality and Improvement since March 2013. 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.

Matthew Flinton (Commercial Director) joined the Group in January 2015, and has 10 years' experience in the care sector. Matthew was Legal Director for Bupa UK for two years before joining Voyage as Commercial Director. Prior to that Matthew was Legal Director for the Bupa Care Services division which operated care homes in the UK, Spain, Australia and New Zealand for 6 years. While at Bupa he led M&A, commercial, regulatory and policy teams and projects in social care in the UK and internationally. Previous roles include being a corporate finance partner at national law firm, Addleshaw Goddard.

Amanda Griffiths (Director of Quality) joined the Group in 2013 as Head of Quality, Safety and Governance and was made Director of Quality in March 2015. Amanda leads the Quality team and provides the guidance for the wider business on all regulatory and safety matters. Amanda has a clinical nursing background with experience in the care home industry since 1988. She held multiple senior positions before starting at Voyage, including Clinical Risk and Assurance manager at BUPA Care Homes and Director of Service Improvement at MHA.

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 (Director of Resourcing & Development) joined the Group in June 2014 and has 6 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 four years working in a senior HR role for Four Seasons Healthcare.

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.

Regional Managing Directors

David Green (Managing Director, South) joined the Group in June 2012 following 28 years in the care sector. David has social work and management qualifications. David worked in the third sector where he held regional roles across London and the South East and a national senior management role before joining Voyage.

Karen Harkin (Managing Director, North) joined the Group in April 2002, and has 24 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.

Wendy Salt (Managing Director, Central West) joined the Group in July 1997, and has 29 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.

Charlotte Smith (Managing Director, Central East) joined the Group in October 2012, and has 17 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.

Selina Wall (Managing Director, South West) joined the Group in August 2004 and has 28 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.

Appointments after 31 March 2015

Sue Donley (Human Resources Director) joined the Group in July 2015 having previously been Group Head of Human Resources at Priory Group. Sue has been a senior leader of HR teams in health and social care for the last 15 years and her wider experience includes leading operations and business development.

Helen Hodgson (Managing Director, Specialist Healthcare) joined the Group in May 2015. Helen has a background in health and social care and has worked in the health sector for over 24 years, originally within the Pharmaceutical industry in sales management and business development roles. Since 2008 Helen has worked in the provision of complex care, residential and supported living services, holding various senior positions for some market leading companies along with smaller start up experience.

Alan Marshall (Managing Director, Community Services) joined the Group in June 2015 into this newly created post. Alan has over 25 years' experience within the health and social care sector holding senior positions within several national care organisations. Alan will be providing guidance and support to the business on supported living. Alan joined from Affinity Trust where he held the position of Director of Operations and Quality.

Ayesha Trott (Managing Director, South East) joined the Group in May 2015. Ayesha trained as a Learning Disability Nurse and has worked within in the Social Care Sector for over 25 years covering a wide range of Children's and Adults services. Ayesha has held a number of senior appointments across the three sectors and immediately prior to joining Voyage Care held the post of Director of Operations and Nominated Individual with both CQC and CSIW, for one of the largest Domiciliary Care providers across England and Wales. Ayesha has first-hand experience of care pathways and the journey through step down services as a parent of a child with complex needs.

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 2015, 93% 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 2015, we provided care to 168 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 the 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 the 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, the 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, the 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, budgetary pressures, National Living Wage and other minimum wage regulation. 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 the 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 the NHS, which is derived from data based on assumed average industry costs. Our fees may be challenged or negotiated using the care funding calculator or similar fee calculation tools. 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 the 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. Future developments and amendments to laws and regulations 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), Ingleby Care (November 2013), and more recently, Primary Care (June 2014), Skills For Living (August 2014) and Redcliffe (March 2015), 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.

Principal shareholders

The company is ultimately majority-owned by investors where investments are managed by Duke Street LLP and Partners Group AG. Whilst the company is jointly controlled by Duke Street LLP and Partners Group AG, the directors do not consider there to be an ultimate controlling party

Certain relationships and related party transactions

In the year ended 31 March 2015, consultancy fees and expenses were paid as follows:

- Consultancy fees of £39,620 and expenses of approximately £2,890 were paid to Hg Pooled Management
- Consultancy fees of £168,000 and expenses of £9,000 were paid to Duke Street LLP
- Consultancy fees of £168,000 and expenses of £nil were paid to Partners Group AG

Description of other indebtedness

Revolving Credit Facility

On 16 January 2013, we, together with the Guarantors, entered into the Revolving Credit Facility Agreement, which provided for £30 million of committed financing and £15 million of uncommitted financing. On 11 December 2014, we, together with the Guarantors amended the Revolving Credit Facility so that the committed financing was increased to £45 million and the uncommitted financing was removed.

All of the financing 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.

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 2015 (“FYE 2015”) and 31 March 2014 (“FYE 2014”), prepared in accordance with UK GAAP, and accompanying 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 margin’’ means EBITDA before rent expense divided by turnover.
- ‘‘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

Outreach placements are 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 2015	FYE 2014
Registered	2,146	2,164
Communal Supported Living	480	373
Residential	**2,626**	**2,537**
Outreach placements	725	600
Total	**3,351**	**3,137**

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 2015	FYE 2014
Registered	90.4%	90.4%
Communal Supported Living	90.7%	91.3%
Residential	**90.5%**	**90.5%**

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	
		2015	2014
Registered	£wk	1,537	1,525
Communal Supported Living	£wk	1,227	1,244
Residential	**£wk**	**1,480**	**1,483**
Outreach	£hr	14.90	15.34

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 and national living wage
- 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 2015	FYE 2014
Staff Costs *	£m	124.3	120.5
% Turnover		61.2%	61.4%
% pre-exceptional operating costs **		78.1%	77.5%

		FYE 2015	FYE 2014
Staff Costs (excluding overheads) *	£m	114.0	110.1
% Turnover		56.2%	56.1%
% pre-exceptional operating costs **		71.6%	70.8%

* *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, and non-occupancy-related costs such as rent, council tax, utilities (gas, electricity, water), property maintenance, insurance, vehicle rental and running costs.

Consolidated Profit & loss Account

£ million	FYE 2015	FYE 2014 (audited)	% Change
Turnover	**203.0**	**196.1**	**3.5%**
Staff costs	(124.3)	(120.5)	(3.2%)
Direct expenses & consumables	(7.9)	(8.0)	1.3%
Property lease rentals	(3.6)	(4.2)	14.3%
Other lease rentals	(2.5)	(2.9)	13.8%
Other external charges	(20.9)	(20.0)	(4.5%)
EBITDA before exceptional items	**43.8**	**40.5**	**8.1%**
Exceptional items	(3.7)	(1.3)	nm
EBITDA	40.1	39.2	2.3%
Depreciation & impairment of fixed assets	(11.1)	(16.3)	31.9%
Loss on disposal of fixed assets	0.0	(0.2)	nm
Goodwill amortisation	(3.0)	(2.7)	(11.1%)
Operating profit	**26.0**	**20.0**	**30.0%**
Interest receivable & similar income	0.0	0.0	nm
Interest payable & similar charges	(23.6)	(23.3)	(1.3%)
Profit / (loss) before taxation	**2.4**	**(3.3)**	**nm**
Taxation	2.4	0.4	nm
Profit / (loss) for the period	**4.8**	**(2.9)**	**nm**
Other financial metrics			
Staff costs (excluding overheads)	114.0	110.1	(3.5%)
Overhead expenses & bonus	15.3	15.0	(2.0%)
Unit EBITDA before exceptional items	59.1	55.5	6.5%
EBITDA before exceptional items margin %	21.6%	20.7%	0.9%
EBITDA margin %	19.8%	20.0%	(0.2%)
EBITDAR	43.7	43.4	0.7%
EBITDAR margin %	21.5%	22.1%	(0.6%)
EBITDAR before exceptional items	47.4	44.7	6.0%
EBITDAR before exceptional items margin %	23.3%	22.8%	0.5%

Turnover

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

- For FYE 2015 turnover increased by £6.9 million, or 3.5% to £203.0 million from £196.1 million for FYE 2014, primarily due to the full year impact of the Ingleby Care acquisition (November 2013), and the acquisitions in the current year of Primary Care (June 2014) and Skills For Living (August 2014) acquisitions. The amount of turnover attributable to Ingleby Care, Primary Care and Skills For Living in FYE 2015 was £8.2 million and £1.7 million respectively.

Staff costs

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

- Staff costs (excluding overheads) for FYE 2015 increased by £3.9 million, or 3.5% to £114.0 million (which represented 56.2% of turnover) from £110.1 million (which represented 56.1% of turnover) for FYE 2014, primarily due to the full year impact of the Ingleby Care acquisition, the acquisitions in the current year of Primary Care and Skills For Living, in addition to increases in the National Minimum Wage 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 2015 direct expenses and consumables reduced by £0.1 million, or 1.3% to £7.9 million from £8.0 million for FYE 2014.

Property lease rentals

Property lease rentals consist primarily of leases on registered and communal supported living care homes. At 31 March 2015, we had 45 short-term leases, consisting of 34 registered care homes and 11 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 2015, 11.8% of our registered care homes and 8.1% of our communal supported living care homes were held under operating leases.

- For FYE 2015 property lease rentals reduced by £0.6 million to £3.6 million from £4.2 million for FYE 2014, primarily due to the acquisition of 13 Quercus freeholds in March 2014.

Other lease rentals

Other lease rentals consist primarily of motor vehicle leases. We currently lease approximately 350 vehicles, which are primarily used to transport the people we support.

- For FYE 2015 other lease rentals reduced by £0.4 million to £2.5 million from £2.9 million for FYE 2014, primarily due to the replacement of leased vehicles at the end of the agreements with purchased vehicles.

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 2015 other external charges increased by £0.9 million, or 4.5% to £20.9 million from £20.0 million for FYE 2014. This increase is primarily due to the full year impact of the Ingleby Care acquisition, and the acquisitions in the current year of Primary Care and Skills For Living, as well as increased spend on agency and professional fees, partially offset by savings on utility costs.

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 2015 EBITDA before exceptional items increased by £3.3 million, or 8.1% to £43.8 million from £40.5 million for FYE 2014. This increase is primarily attributable to extra contribution from the full year impact of the Ingleby Care acquisition, the acquisitions in the current year of Primary Care and Skills For Living, in addition savings on property lease and other lease rentals.

Exceptional items

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

- For FYE 2015 exceptional items increased by £2.4 million to £3.7 million from £1.3 million for FYE 2014. Exceptional items for FYE 2015 related primarily to staff related costs, the change of ownership and external consultancy fees. The 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

EBITDA

- For FYE 2015 EBITDA increased by £0.9 million, or 2.3% to £40.1 million from £39.2 million for FYE 2014. This increase is primarily attributable to the extra contribution from the full year impact of the Ingleby Care acquisition, the acquisitions in the current year of Primary Care and Skills For Living, savings on property lease and other lease rentals, partially offset by the increase in exceptional items by £2.4 million in FYE 2015.

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 2015 depreciation and impairment of assets reduced by £5.2 million to £11.1 million from £16.3 million for FYE 2014, primarily due to an impairment of £6.3 million relating to 3 closed properties in FYE 2014.

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 2015 the profit on the disposal of assets was £11,000. We recorded a loss on disposal of £0.2 million in FYE 2014.

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 2015 goodwill amortisation expense increased by £0.3 million to £3.0 million from £2.7 million for FYE 2014.

Operating profit

Operating profit consists of earnings before interest and taxation.

- For FYE 2015 operating profit increased by £6.0 million, or 30.0% to £26.0 million from £20.0 million for FYE 2014. This increase is primarily due to an impairment of £6.3 million relating to 3 closed properties in FYE 2014, extra contribution from the full year impact of the Ingleby Care acquisition, the acquisitions in the current year of Primary Care and Skills For Living, savings on property lease and other lease rentals, partially offset by the increase in exceptional items by £2.4 million in FYE 2015.

Interest receivable and similar income

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

- For FYE 2015 interest receivable and other income decreased by £7,000 to £29,000 from £36,000 for FYE 2014.

Interest payable and similar charges

Interest payable and similar charges on bank loans primarily consist of interest payable and fees relating to the Senior Secured Notes and Second Lien Notes (the "Senior Facilities"), as well as other finance costs including the interest on the Revolving Credit Facility and pension scheme costs accounted for under FRS17 under UK GAAP.

- For FYE 2015 interest payable and similar charges on bank loans increased by £0.3 million to £23.6 million from £23.3 million for FYE 2014.

Profit / (loss) before taxation

Profit / (loss) before taxation represents the result of the profit and loss account before provision for taxation.

- For FYE 2015 profit before taxation increased by £5.7 million to £2.4 million from £3.3 million loss for FYE 2014. This increase is primarily due to an impairment of £6.3 million relating to 3 closed properties in FYE 2014, extra contribution from the full year impact of the Ingleby Care acquisition, the acquisitions in the current year of Primary Care and Skills For Living, savings on property lease and other lease rentals, partially offset by the increase in exceptional items by £2.4 million in FYE 2015.

Taxation

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

- For FYE 2015 the taxation credit was £2.4 million compared to taxation credit of £0.4 million for FYE 2014. The increase in the taxation credit is primarily due to adjustments in respect of prior periods.

Profit / (loss) for the period

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

- For FYE 2015 the profit for the period increased by £7.7 million to £4.8 million from £2.9 million loss for FYE 2014. This increase is primarily due to an impairment of £6.3 million relating to 3 closed properties in FYE 2014, extra contribution from the full year impact of the Ingleby Care acquisition, the acquisitions in the current year of Primary Care and Skills For Living, savings on property lease and other lease rentals, the £2.0 million increase in the taxation credit, partially offset by the increase in exceptional items by £2.4 million in FYE 2015.

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 2015 and 31 March 2014, our cash balances were £15.5 million and £14.7 million, respectively.

Net bank debt as at 31 March 2015 was £262.7 million, comprising £272.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £5.0m borrowing under the Revolving Credit Facility, £15.5 million of cash and £0.5 million of unamortised original issue discount on the Second Lien Notes. Within the £15.5 million cash balance is £1.7 million of restricted cash and deferred consideration.

Net bank debt as at 31 March 2014 was £266.0 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.

Consolidated Cash flow statement

£ million	**FYE 2015**	**FYE 2014 (audited)**	**% Change**
EBITDA before exceptional items	**43.8**	**40.5**	**8.2%**
Exceptional items [1]	(3.4)	(0.3)	nm
Working capital	3.5	(3.4)	nm
Net cash flow from operating activities [1]	**44.0**	**36.8**	**19.6%**
Capital expenditure and financial investment [2]	(12.3)	(18.0)	31.5%
Returns on investment and servicing of finance	(20.8)	(20.8)	0.1%
Taxation	0.1	1.0	87.1%
Cash (outflow) / inflow before acquisitions and financing	**11.0**	**(1.0)**	**nm**
Acquisition [3]	(6.9)	(5.5)	(26.2%)
Acquisition funding	0.0	0.0	nm
Acquisition integration costs	(0.4)	(1.0)	63.6%
Acquisition capex	0.0	(1.6)	nm
Cash outflow before financing	**3.7**	**(9.1)**	**nm**
Net cash flow used in financing activities	(3.0)	8.0	nm
Decrease in cash for the period	**0.7**	**(1.1)**	**nm**
Other financial metrics			
Development capex (£m)	3.5	1.9	86.9%
Maintenance capex (£m)	8.5	9.1	6.1%
Maintenance capex (% turnover)	4.2%	4.6%	(0.4%)
Maintenance capex (£k pa per residential bed)	3.6	3.9	9.3%
Cash conversion %	80.6%	77.6%	3.0%

(1) Excludes cash flows in relation to acquisition integration costs.
(2) Net of disposal proceeds and includes service related capital expenditure and capital expenditure with respect to supporting our head office function. Excludes cash flows in relation to acquisition capex.
(3) Includes net overdraft acquired with subsidiaries

Net cash flow from operating activities

- For FYE 2015 our net cash flow from operating activities increased by £7.2 million, or 19.6% to £44.0 million from £36.8 million for FYE 2014. The reason for the increase resulted from a £3.3 million increase in pre-exceptional EBITDA, a £6.9 million favourable movement in the change in working capital, offset by a £3.1 million increase in exceptional items (excluding cash flows in relation to acquisition integration costs).

Capital expenditure and financial investment

- For FYE 2015 our net cash flow used in investing activities decreased by £5.7 million, to £12.3 million from £18.0 million for FYE 2014. The decrease in spend is primarily due to the purchase of tangible fixed assets in FYE 2015, excluding acquisition catch-up capex, of £13.6 million compared to £19.2 million for FYE 2014.

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.

Returns on investment and servicing of finance

- For FYE 2015 our net cash flow used in servicing of finance remained constant at £20.8 million when compared to FYE 2014.

Net cash flow used in financing activities

- For FYE 2015 our net cash flow used in financing activities was £3.0 million outflow compared to £8.0 million inflow FYE 2014 due to movement on the RCF facility.

Contractual obligations

The following table summarises our material contractual obligations at 31 March 2015. 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 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
Sub-total	-	272.0	-	272.0
Operating lease obligations (3)	5.3	11.5	26.2	43.0
Total	**5.3**	**283.5**	**26.2**	**315.0**

(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 15	Mar 14	% Change
	(audited)		
Fixed Assets	399.1	394.3	1.2%
Debtors *	19.1	16.9	12.8%
Cash at bank and in hand	15.5	14.7	4.9%
Creditors <1 yr			
Revolving credit facility	(5.0)	(8.0)	37.5%
Other *	(34.8)	(31.4)	(11.0%)
Creditors >1 yr			
Loan notes	(263.4)	(260.8)	(1.0%)
Other	0.0	0.0	nm
Provisions for liabilities and charges	(3.4)	(3.4)	0.6%
Pension surplus	0.0	0.0	(42.9%)
Net Assets	**127.1**	**122.4**	**(3.8%)**

** Debtors in FYE 2015 include £0.4 million of intercompany loans (FYE 2014: £0.4 million), and other creditors in FYE 2015 include £1.9 million of intercompany loans (FYE 2014: £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 the Peoples Pension under Auto-enrolment, a NHS defined benefit scheme, a Group Personal Pension Plan, an employer sponsored defined benefit scheme 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 Peoples Pension under Auto-enrolment, 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.

In respect of the 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 2015	Turnover FYE 2014	Turnover % Change
Registered	153.9	154.2	(0.2%)
Communal Supported Living	27.6	21.9	26.0%
Residential	181.5	176.0	3.1%
Outreach	17.7	16.6	6.6%
Total *	**203.0**	**196.1**	**3.5%**

Other financial metrics	**FYE 2015**	**FYE 2014**	**Change**
Average residential occupancy	2,376	2,296	80
Average residential occupancy %	90.5%	90.5%	(0.0%)
Average weekly outreach invoiced hours	22,900	20,900	2,000

** 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 2015

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Voyage BidCo Limited
Strategic Report
For the year ended 31 March 2015

The directors present their strategic report for the year ended 31 March 2015.

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 in terms of number of beds. As at 31 March 2015 the group had a residential capacity of 2,661 places, an increase of 96 places from the 2,565 places as at 31 March 2014. Over the year our residential occupancy remained over 90%.

Our Outreach business, offering care packages to individuals in their own homes also reported excellent growth and now delivers services to 697 individuals (2014: 666 individuals), a 4.65% increase on the same time last year.

A number of strategic acquisitions were completed by the group during the year to increase Voyage Care's presence, including the acquisition of Primary Care in June 2014, Skills for Living in August 2014 and Redcliffe in March 2015.

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.

The government also announced the introduction of a National Living Wage on 8 July which will be £7.20 from 1 April 2016 for all employees aged 25 and over. The National Living Wage will clearly impact our cost base from next year and we will be seeking additional funding from Local Authorities and the NHS to compensate us for these costs.

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 82% of services that have achieved a rating of Good and Outstanding following inspection against the requirements introduced in October 2014. Additionally 100% of homes and services registered in Scotland and Wales were found to be compliant when inspected by the regulator.

Quality is monitored by the Board via the Quality, Safety and Risk 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 41%. 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 £1.64 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.

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.

We are also delighted to announce that Andrew Cannon has been appointed as our new Chief Executive Officer with effect from 25 August 2015. Andrew offers a wealth of experience in the care sector and, under his leadership, we will be looking to extend the services we currently provide across the UK and continue to deliver the highest standards of care.

Business review

The year under review has seen further strong progress towards achieving Voyage Care's objective of being the market leader in the provision of high quality care services for people with learning disabilities, acquired brain injuries and other complex needs.

On 8 September 2014 Viking HoldCo Limited acquired Voyage Care's ultimate parent company, Voyage Holdings Limited.

EBITDA for the year ended 31 March 2015 (before exceptional items) increased by 8.1% from £40.5 million to £43.8 million. Operating profit (before exceptional items) for the year ended 31 March 2015 was £32.3 million (2014: £30.7 million). This increase was primarily due to:

- acquisition of certain properties which were previously leased; and
- acquisition of vehicles as an alternative to leasing.

Although EBITDA (before exceptional items) increased the trading environment remained tough due to the following factors:

- a 3% increase in the National Minimum Wage to £6.50;
- a temporary increase in agency spend; and
- selective pay increases in certain geographical areas.

The consolidated balance sheet at 31 March 2015 shows that the group has net assets of £127,053,000 (2014: £122,376,000). This analysis is detailed on the consolidated balance sheet (see page 11). Correspondingly, for the year ended 31 March 2015, the group reported a profit before taxation and exceptional items of £8,724,000 (2014: £7,458,000). This analysis is detailed in 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 include:

- pre-exceptional EBITDA;
- agency usage;
- return on capital employed;
- % 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 the people we support - which is achieved by maintaining an appropriate balance between care fees and payroll costs. Fees are always agreed with purchasers to reflect the care needs of the people we support 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 and progress of referrals for vacancies are formally reported to senior management on a weekly basis; and
- National Living Wage - the introduction of a new National Living Wage (and likely consequent increases in the National Minimum Wage) will increase the cost base of the group. In order to minimise the expense to the group we will be approaching Local Authorities and the NHS to secure additional funding to offset these costs.

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 and supported living market in the UK and increasing regulation continues to benefit high quality operators such as Voyage Care.

Quality, Safety and Risk Committee

The board of directors operates a Quality, Safety and Risk 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 Quality, Safety and Risk Committee is chaired by Alan Rosenbach (a former senior officer at CQC) and, in addition comprises the Chief Executive, together with our Quality Director and Chief Operating Officer.

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
24 July 2015

Voyage BidCo Limited
Directors' Report
For the year ended 31 March 2015

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

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 (2014: £Nil).

Going concern
The Viking HoldCo group, of which the company is a member, is funded through a combination of shareholders' funds, Unsecured Shareholder Loans, Senior Secured Notes and Second Lien Notes. The group has issued £222 million of 6.5% Senior Secured Notes due 2018 and £50 million of 11% Second Lien Notes due 2019. The group also has a Revolving Credit Facility which was increased to £45 million on 12 December 2014, of which only £5 million was drawn at 31 March 2015.

The business has net current liabilities of £5.3 million as at 31 March 2015 (2014: £7.7 million). Notwithstanding this and the principal risks identified on page 4, 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 2015/16 is £32.2 million, compared to forecast debt service costs of £20.7 million providing headroom of £11.5 million. In addition there is headroom of £40 million on the Revolving Credit Facility.

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

Acquisition of the Voyage Care group
On 8 September 2014 the Voyage Care group, including the company, was acquired by Viking HoldCo Limited.

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:

A Winning	
K Roberts	(resigned 12 February 2015)
P Sealey	(appointed 9 January 2015)

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
24 July 2015

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 2015 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 2015 and of the group's profit 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.

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

24 July 2015

Voyage BidCo Limited
Consolidated profit and loss account
For the year ended 31 March 2015

	Notes	2015 Before exceptional items (4,5)	2015 Exceptional items (1)	2015 Total	2014 Before exceptional items	2014 Exceptional items (3)	2014 Total
		£000	£000	£000	£000	£000	£000
Turnover	2	202,982	262	203,244	196,056	-	196,056
Operating expenses	3	(170,660)	(6,599)	(177,259)	(165,349)	(10,737)	(176,086)
EBITDA (2)		43,832	(3,720)	40,112	40,508	(1,304)	39,204
Depreciation		(8,518)	(2,617)	(11,135)	(6,913)	(9,433)	(16,346)
Profit / (loss) on disposal of fixed assets		11	-	11	(187)	-	(187)
Goodwill amortisation		(3,003)	-	(3,003)	(2,701)	-	(2,701)
Operating profit		32,322	(6,337)	25,985	30,707	(10,737)	19,970
Interest receivable	7	15	-	15	33	-	33
Other finance income	29	11	-	11	3	-	3
Interest payable on loan notes	8	(19,930)	-	(19,930)	(19,930)	-	(19,930)
Loan issue costs and amortisation	8	(2,786)	-	(2,786)	(2,786)	-	(2,786)
Interest payable on bank loans	8	(718)	-	(718)	(505)	-	(505)
Other finance costs	8	(190)	-	(190)	(64)	-	(64)
Profit / (loss) before taxation		8,724	(6,337)	2,387	7,458	(10,737)	(3,279)
Tax credit	9	2,375	-	2,375	422	-	422
Profit / (loss) for the year		11,099	(6,337)	4,762	7,880	(10,737)	(2,857)

(1) Exceptional items in 2015 relate to costs of £3,982,000 incurred primarily with respect to the change of ownership of the Voyage Care Group, external consultancy fees, debt costs and certain staff related costs (see note 3), impairment to freehold land and buildings of £2,617,000 and write back of credit balances inherited from the Solor Care acquisition of £262,000.

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

(3) 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.

(4) Acquisitions during the year relate to Primary Care (note 25) Skills for Living (note 26) and Redcliffe (note 27).

(5) Turnover relating to acquisitions is £4,092,000 (2014: £1,580,000). Operating expenses relating to acquisitions is £3,604,000 (2014: £1,308,000). Operating profit relating to acquisitions is £488,000 (2014 operating profit: £272,000).

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 2015

	Notes	2015 £000	2014 £000
Profit / (loss) for the financial year		4,762	(2,857)
Actuarial (loss) / gain recognised for the pension scheme	*29*	(217)	96
Restriction on surplus	*29*	132	(175)
Total gains and losses related to the financial year		4,677	(2,936)

Voyage BidCo Limited
Consolidated balance sheet
at 31 March 2015

	Notes	2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Intangible assets	*10*		32,971		31,318
Tangible assets	*11*		366,135		362,991
			399,106		394,309
Current assets					
Debtors	*13*	19,061		16,902	
Cash at bank and in hand		15,469		14,746	
		34,530		31,648	
Creditors: amounts falling due within one year	*14*	(39,792)		(39,355)	
Net current liabilities			(5,262)		(7,707)
Total assets less current liabilities			393,844		386,602
Creditors: amounts falling due after more than one year	*15*				
Loan notes			(263,407)		(260,819)
Provisions for liabilities and charges	*17*		(3,394)		(3,414)
Net assets excluding pension surplus			127,043		122,369
Pension surplus	*29*		10		7
Net assets including pension surplus			127,053		122,376
Capital and reserves					
Called up share capital	*18*		-		-
Share premium	*19*		224,872		224,872
Profit and loss account	*20*		(97,819)		(102,496)
Equity shareholders' funds	*21*		127,053		122,376

These financial statements were approved by the board of directors on 24 July 2015 and were signed on its behalf by:

A Winning
Director

Company registered no. 05752534

Voyage BidCo Limited
Company balance sheet
at 31 March 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Investments	*12*	163,309	163,309
Current assets			
Debtors	*13*	326,257	305,687
Net current assets		326,257	305,687
Total assets less current liabilities		489,566	468,996
Creditors: amounts falling due after more than one year	*15*	(424,478)	(397,702)
Net assets		65,088	71,294
Capital and reserves			
Called up share capital	*18*	-	-
Share premium	*19*	224,872	224,872
Profit and loss account	*20*	(159,784)	(153,578)
Equity shareholders' funds	*21*	65,088	71,294

These financial statements were approved by the board of directors on 24 July 2015 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 2015

	Notes	2015 £000	2014 £000
CASH FLOW STATEMENT			
Cash flow from operating activities	**28a**	43,627	35,789
Returns on investments and servicing of finance	**28b**	(20,777)	(20,802)
Taxation		125	970
Capital expenditure and financial investment	**28b**	(12,308)	(19,547)
Acquisitions	**28b**	(6,927)	(5,488)
Cash inflow / (outflow) before financing		3,740	(9,078)
Financing	**28b**	(3,017)	7,996
Increase / (decrease) in cash in the period		723	(1,082)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	2015 £000	2014 £000
Increase / (decrease) in cash in the period		723	(1,082)
Net cash flow from decrease / (increase) in loans and finance leases		3,017	(7,996)
Non cash changes		(2,588)	(2,447)
Finance leases acquired with subsidiary		-	(11)
Movement in net debt in the year		1,152	(11,536)
Net debt at start of year		(254,125)	(242,589)
Net debt at end of year	**28c**	(252,973)	(254,125)

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 Viking HoldCo group, of which the company is a member, is funded through a combination of shareholders' funds, Unsecured Shareholder Loans, Senior Secured Notes and Second Lien Notes. The group has issued £222 million of 6.5% Senior Secured Notes due 2018 and £50 million of 11% Second Lien Notes due 2019. The group also has a £45 million Revolving Credit Facility, of which only £5 million was drawn at 31 March 2015.

The group has net current liabilities of £5.3 million as at 31 March 2015 (2014: £7.7 million). Notwithstanding this and the principal risks identified on page 4, 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 2015/16 is £32.2 million, compared to forecast Debt Service Costs of £20.7 million providing headroom of £11.5 million. In addition there is headroom of £40 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 2015. 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 £6,206,000 (2014: £10,486,000).

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 Peoples Pension under Auto-enrolment, a NHS defined benefit scheme, a Group Personal Pension Plan, an employer sponsored defined benefit scheme 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 Peoples Pension under Auto-enrolment, the NHS defined benefit scheme, the Group Personal Pension Plan, the employer sponsored defined benefit scheme 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.

In respect of the 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

	2015 £000	2014 £000
Operating expenses are stated after charging		
Direct expenses and consumables	7,957	8,077
Staff costs:		
Wages and salaries (including exceptional expenses of £951,000 comprising a provision for staff related costs of £465,000, compensation on loss of office of £381,000 and other expenses of £105,000)	116,543	112,078
Social security costs (including exceptional expenses of £35,000 in relation to the provision for staff related costs)	7,910	7,901
Other pension costs	825	824
Operating lease rentals:		
Property rentals	3,556	4,102
Motor vehicles	2,499	2,919
Depreciation	8,518	6,913
Impairment to fixed assets	2,617	9,433
(Profit) / loss on disposal of fixed assets	(11)	187
Goodwill amortisation charge	3,003	2,701
Other external charges (including exceptional expenses of £2,996,000 comprising loan note consent solicitation fees and additional fees of £1,666,000, debt facility costs of £549,000, external consultancy of £615,000 and other expenses of £166,000)	23,842	20,951
	177,259	176,086

4 Auditor's remuneration

	2015 £000	2014 £000
Audit of the group financial statements	5	5
Audit of financial statements of subsidiaries	110	123
Audit related fees	115	128
Taxation compliance services	119	127
Other tax advisory services	15	53
Other assurance services	-	16
Corporate finance services	62	60
Other services	15	9
Non-audit fees	211	265
Total audit and non-audit fees	326	393

5 Directors emoluments

Total emoluments comprise:

	2015 £000	2014 £000
Emoluments	3,191	1,020
Compensation on loss of office	381	145
Pension contributions	296	55
	3,868	1,220

Emoluments and pension contributions include remuneration in relation to the sale of the group headed by Voyage Holdings Limited to Viking HoldCo Limited, of £2,510,000 and £225,000, respectively.

The emoluments of the highest paid director were £2,943,000 (including compensation on loss of office of £381,000) (2014: £600,000) and pension contributions of £200,000 (2014 £14,000) were made to a money purchase scheme on his behalf.

Emoluments and pension contributions of the highest paid director include remuneration in relation to the sale of the group headed by Voyage Holdings Limited to Viking HoldCo Limited, of £2,125,000 and £150,000, respectively.

Three of the directors active in the year accrued benefits under money purchase pension schemes (2014: three directors).

6 Staff numbers

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

	Number of employees	
	2015	2014
Administration	257	253
Care staff	8,160	7,424
	8,417	7,677

7 Interest receivable and similar income

	2015 £000	2014 £000
Bank interest receivable	15	33

8 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on loan notes	19,930	19,930
Loan issue costs and amortisation	2,786	2,786
Interest payable on bank loans	718	505
Other finance costs	190	64
	23,624	23,285

9 Taxation

	2015 £000	2014 £000
Analysis of (credit) / charge in year		
Current tax:		
UK corporation tax on profits of the period	49	99
Adjustments in respect of previous periods	(1,712)	(51)
	(1,663)	48
Deferred tax:		
Reversal of timing differences	6	(253)
Effect of change in tax rate on opening liability	-	381
Recognition of tax losses not previously recognised	-	18
Adjustments in respect of prior years deferred tax	(718)	(616)
	(712)	(470)
Tax credit on profit / (loss) on ordinary activities	(2,375)	(422)

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:

	2015 £000	2014 £000
Profit / (loss) on ordinary activities before taxation	2,387	(3,279)
Current tax at 21% (2014: 23%)	501	(754)
Effects of:		
Depreciation for year in excess of / (lower than) capital allowances	55	(45)
Expenses not deductible for tax purposes	186	139
Goodwill amortisation and impairment	-	2,790
Depreciation on ineligible assets	5	868
Group relief received at no cost	(698)	(2,899)
Adjustments in respect of prior periods	(1,712)	(51)
Total current tax (credit) / charge (see above)	(1,663)	48

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

10 Intangible fixed assets

Group	Goodwill £000	Negative Goodwill £000	Total £000
Cost			
At 1 April 2014	72,146	(9,298)	62,848
Additions	4,656	-	4,656
At 31 March 2015	76,802	(9,298)	67,504
Amortisation			
At 1 April 2014	32,361	(831)	31,530
Provided during the year	3,404	(401)	3,003
At 31 March 2015	35,765	(1,232)	34,533
Net book value			
At 31 March 2015	41,037	(8,066)	32,971
At 31 March 2014	39,785	(8,467)	31,318

Additional costs of £18,000 associated with the acquisition of Ingleby Care were incurred during the year. As a result goodwill increased to £1,926,000 (2014: £1,908,000) (see note 24).

On 27 June 2014, the group acquired 100% of the share capital of Primary Care (UK) Limited. Goodwill of £959,000 was capitalised and is being written back over 20 years (see note 25).

On 20 August 2014, the group acquired 100% of the share capital of Skills for Living (Leicestershire) Limited. Goodwill of £3,646,000 was capitalised and is being written back over 20 years (see note 26).

On 11 March 2015, the group acquired 100% of the share capital of Redcliffe House Limited and The Cedars (Mansfield) Limited. Goodwill of £33,000 was capitalised and is being written back over 20 years (see note 27).

11 Tangible fixed assets

Group	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2014	399,831	54,201	1,649	455,681
Acquisitions	2,602	63	7	2,672
Additions	2,984	7,955	1,938	12,877
Disposals	(6,527)	(1,051)	(174)	(7,752)
At 31 March 2015	398,890	61,168	3,420	463,478
Depreciation				
At 1 April 2014	56,019	35,194	1,477	92,690
Charge for the period	1,676	6,541	301	8,518
Impairment	2,617	-	-	2,617
Depreciation on disposals	(5,318)	(1,010)	(154)	(6,482)
At 31 March 2015	54,994	40,725	1,624	97,343
Net book value				
At 31 March 2015	343,896	20,443	1,796	366,135
At 31 March 2014	343,812	19,007	172	362,991

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

Included within freehold land and buildings is freehold land totalling £73,062,000 (2014: £72,404,000) which is not depreciated and costs of £3,246,000 (2014: £2,360,000) 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 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
Primary Care UK Limited *	Community care	England	Ordinary	100
Skills for Living Limited *	Community care	England	Ordinary	100
Redcliffe House Limited *	Community care	England	Ordinary	100
The Cedars (Mansfield) Limited *	Community care	England	Ordinary	100

* Held by a subsidiary undertaking

13 Debtors

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Trade debtors	13,577	-	12,138	-
Deferred tax asset (see below)	3,529	-	2,817	-
Other debtors	519	-	260	2
Prepayments and accrued income	1,038	-	1,297	-
Intercompany debtors	398	326,257	390	305,685
	19,061	326,257	16,902	305,687

The elements of deferred taxation are as follows:

	2015 £000	2014 £000
Accelerated capital allowances	3,068	2,322
Other timing difference	75	73
Tax losses	386	422
	3,529	2,817

Recognised in:

	2015 £000	2014 £000
Debtors	3,529	2,817

The movement in deferred tax asset is as follows:	Deferred tax £000
At beginning of year	2,817
Profit and loss account	712
At end of year	3,529

Deferred tax assets totalling £3,898,000 (2014: £4,165,000) have not been recognised as it is not deemed probable that sufficient taxable profits will arise in the related entities against which the losses can be utilised.

14 Creditors: amounts falling due within one year

Group	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Bank loan	5,000	-	8,000	-
Obligations under finance lease and hire purchase contracts (see note 16)	35	-	52	-
Trade creditors	3,891	-	3,704	-
Corporation tax	115	-	1,302	-
Other taxes and social security costs	2,241	-	2,021	-
Other creditors	10,963	-	9,934	-
Intercompany creditors	1,865	-	384	-
Accruals and deferred income	11,263	-	9,566	-
Fees billed in advance	4,419	-	4,392	-
	39,792	-	39,355	-

15 Creditors: amounts falling due after more than one year

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Loan notes	263,407	-	260,819	-
Amounts owed to group undertakings	-	424,478	-	397,702
	263,407	424,478	260,819	397,702

Loan notes include unamortised issue costs and original issue discount of £8,593,000 (2014: £11,181,000).

Total debt can be analysed as falling due:

Group	2015 £000	2014 £000
In one year or less	5,035	8,052
Between two and five years	263,407	260,819
After five years	-	-
	268,442	268,871

15 Creditors: amounts falling due after more than one year (continued)

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 £45 million Revolving Credit Facility. Issue costs and original issue discount before amortisation were £14,076,000. The notes are listed on the Luxembourg Stock Exchange.

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

Debt instrument	**Loan 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	5,000	LIBOR +4%	Aug-18

16 Obligations under finance leases and hire purchase contracts

Group	**2015 £000**	**2014 £000**
Amounts payable:		
Within one year	35	52
	35	52

17 Provisions for liabilities and charges

Group	**2015 £000**	**2014 £000**
Onerous leases and dilapidations	3,394	3,414

The movement in provisions were:	**Onerous leases and Dilapidations £000**
At beginning of year	3,414
Profit and loss account	(20)
At end of year	3,394

The onerous lease provisions recognised will unwind over the term of the leases, the commitments are due to expire in February 2016, September 2016 and March 2029.

18 Share capital

Group and company	**2015 £000**	**2014 £000**
Allotted, called up and fully paid:		
3 ordinary shares of £1.00 each (2014: 3 ordinary shares of £1.00 each)	-	-
	-	-

19 Share premium

Group and company	**2015 £000**	**2014 £000**
At beginning and end of year	224,872	224,872

20 Profit and loss account

Group	**2015 £000**	**2014 £000**
At beginning of year	(102,496)	(99,560)
Profit / (loss) for the financial year	4,762	(2,857)
Actuarial (loss) / gain recognised for the pension scheme	(217)	96
Restriction on surplus	132	(175)
At end of year	(97,819)	(102,496)

Company	**2015 £000**	**2014 £000**
At beginning of year	(153,578)	(143,092)
Loss for the financial year	(6,206)	(10,486)
At end of year	(159,784)	(153,578)

21 Reconciliation of movement in shareholders' funds

Group	**2015 £000**	**2014 £000**
Opening shareholders' funds	122,376	125,312
Profit / (loss) for the financial year	4,762	(2,857)
Actuarial (loss) / gain recognised for the pension scheme	(217)	96
Restriction on surplus	132	(175)
Closing shareholders' funds	127,053	122,376

Company	**2015 £000**	**2014 £000**
Opening shareholders' funds	71,294	81,780
Loss for the financial year	(6,206)	(10,486)
Closing shareholders' funds	65,088	71,294

22 Commitments

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

	2015		**2014**	
	Land and buildings £000	**Other assets £000**	**Land and buildings £000**	**Other assets £000**
Operating leases which expire:				
Within one year	894	867	786	1,306
Between two and five years	181	1,417	296	1,534
Five years	2,460	-	2,145	-
	3,535	2,284	3,227	2,840

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 Ingleby Care acquisition

On 20 November 2013, the group acquired Ingleby Corporation Limited and all of its subsidiaries. The final 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			1,926
			6,347
Satisfied by:			
Cash			6,120
Costs associated with acquisition			227
Total costs of acquisition			6,347

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

Additional costs of £18,000 associated with the acquisition of Ingleby Care were incurred during the year. As a result goodwill increased to £1,926,000 (2014: £1,908,000).

25 Primary Care acquisition

On 27 June 2014, the group acquired Primary Care (UK) Limited. 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	42	-	42
Debtors	136	-	136
Cash in hand, Bank	908	-	908
Deferred tax	(3)	-	(3)
Creditors	(138)	-	(138)
	945	-	945
Goodwill			959
			1,904
Satisfied by:			
Cash			1,615
Costs associated with acquisition			69
Contingent consideration			220
Total costs of acquisition			1,904

The acquired undertaking made a profit before tax of £34,000 from the beginning of its financial year (1 April 2014) to the date of acquisition.

Contingent consideration of up to £220,400 is payable on 19 February 2016 if the acquired business retains certain contracts.

26 Skills for Living acquisition

On 20 August 2014, the group acquired Skills for Living (Leicestershire) Limited. The provisional 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	446	871	1,317
Debtors	328	-	328
Cash in hand, Bank	764	-	764
Deferred tax	(3)	-	(3)
Creditors	(561)	-	(561)
	974	871	1,845
Goodwill			3,646
			5,491
Satisfied by:			
Cash			5,371
Costs associated with acquisition			120
Total costs of acquisition			5,491

The acquired undertaking made a profit before tax of £182,000 from the beginning of its financial year (1 April 2014) to the date of acquisition.

27 Redcliffe acquisition

On 11 March 2015, the group acquired Redcliffe House Limited and all of its subsidiaries. The provisional 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	713	600	1,313
Debtors	195	-	195
Cash in hand, Bank	51	-	51
Deferred tax	(3)	-	(3)
Creditors	(132)	-	(132)
	824	600	1,424
Goodwill			33
			1,457
Satisfied by:			
Cash			1,431
Costs associated with acquisition			26
Total costs of acquisition			1,457

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 £67,000 from the beginning of its financial year (1 October 2014) to the date of acquisition.

28 Notes to the group cash flow statement

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

	2015 £000	2014 £000
Operating profit	25,985	19,970
Depreciation and impairment charges	11,135	16,346
(Profit) / loss on disposal of fixed assets	(11)	187
Goodwill amortisation and impairment	3,003	2,701
Decrease in debtors	(393)	(2,258)
Increase / (decrease) in creditors	3,908	(1,157)
Net cash inflow from operating activities	43,627	35,789

b Reconciliation of other items in the cash flow statement

	2015 £000	2014 £000
Returns on investments and servicing of finance		
Interest received	12	33
Other finance cost	-	3
Interest paid	(20,789)	(20,838)
	(20,777)	(20,802)
Capital expenditure		
Payments to acquire tangible fixed assets	(13,589)	(20,758)
Receipts from sales of tangible fixed assets	1,281	1,211
	(12,308)	(19,547)
Acquisitions		
Acquisitions	(8,650)	(6,173)
Cash acquired with subsidiaries	1,723	685
	(6,927)	(5,488)
Financing		
Loan advance from RCF	-	8,000
Repayment of RCF	(3,000)	-
Finance lease payments	(17)	(4)
	(3,017)	7,996

c Analysis of changes in net debt

	At 1 April 2014 £000	Cash flows £000	Acquisition £000	Non-cash changes £000	At 31 March 2015 £000
Cash at bank and in hand	14,746	723	-	-	15,469
Finance leases	(52)	17	-	-	(35)
Bank loans:					
Debt due within one year	(8,000)	3,000	-	-	(5,000)
Loan notes					
Debt due after one year	(260,819)	-	-	(2,588)	(263,407)
	(268,871)	3,017	-	(2,588)	(268,442)
Net debt	(254,125)	3,740	-	(2,588)	(252,973)

29 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 Royal London Group, independent actuaries. The latest actuarial valuation was performed on 1 April 2014 using the projected unit method. The principal assumptions adopted in the valuation were that the investment return would be 5.1% per annum compound and the real rate of investment over salary growth would be 4.1% per annum compound.

At the date of the latest actuarial valuation at 1 April 2014, 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 2015 was £825,000 (2014: £824,000). An amount of £150,000 (2014: £106,000) is included in accruals which represents the excess accumulated pension cost over the payment of contributions to the various schemes.

FRS 17 valuation

The pension valuation at 1 April 2014 has been updated by the actuary on a FRS 17 basis as at 31 March 2015. The major assumptions used in this valuation were:

	2015	**2014**
	%	**%**
Rate of increase in salaries	4.1	4.4
Rate of increase in pensions in payment	3.0	3.0
Discount rate	3.3	4.5
Inflation assumption	3.1	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 2015	**Value at 31 March 2014**
	£000	**£000**
Fair value of plan assets		
Insurance policy	1,069	1,000
Present value of scheme liabilities	(1,011)	(818)
Surplus in the scheme	58	182
Excess not recognised	(48)	(175)
Net pension surplus	**10**	**7**

29 Pension schemes *(continued)*

Movements in present value of defined benefit obligation:

	2015 £000	2014 £000
At 1 April	818	846
Current service cost	8	7
Interest cost	36	37
Actuarial losses / (gains)	266	(68)
Contributions by members	-	-
Benefits paid	(117)	(4)
At 31 March	1,011	818

Movements in fair value of plan assets:	2015 £000	2014 £000
At 1 April	1,000	853
Expected return on plan assets	52	40
Actuarial gains / (losses)	49	28
Contributions:		
By employer	85	83
By members	-	-
Benefits paid	(117)	(4)
At 31 March	1,069	1,000

Analysis of other pension costs charged in arriving at operating profit:	2015 £000	2014 £000
Current service cost	8	7
	8	7

Analysis of amounts credited to financial income:	2015 £000	2014 £000
Expected return on pension scheme assets	52	40
Effect of surplus restriction recognised in profit and loss	(5)	-
Interest on pension scheme liabilities	(36)	(37)
Amount credited to financial income	11	3

Actual return on assets in the year was £101,000 (2014: £68,000).

History of plans

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

Balance sheet	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of scheme liabilities	(1,011)	(818)	(846)	(815)	(807)
Fair value of scheme assets	1,069	1,000	853	1,117	1,034
Surplus / (deficit)	58	182	7	302	227

Experience adjustments	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Experience adjustments on scheme liabilities	(119)	47	35	45	7
Experience adjustments on scheme assets	49	28	40	(78)	(41)
Total adjustments	(70)	75	75	(33)	(34)

The company expects to contribute approximately £84,000 (2014: £84,000) to its defined benefit plans in the next financial year.

30 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 Viking HoldCo Limited which is registered in England and Wales.

Copies of the group financial statements of Viking HoldCo Limited may be obtained from:

The Company Secretary
Viking HoldCo Limited
Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP