Voyage BidCo Limited

Results for the year ended 31 March 2016

Voyage Care BondCo PLC

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

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

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Voyage Care BondCo PLC is a public limited company incorporated under the laws of England and Wales and is a direct wholly owned subsidiary of Voyage BidCo Limited and an indirect wholly owned subsidiary of Voyage Care HoldCo Limited (previously Viking Holdings Limited). In this annual report, ‘‘Issuer’’ refers only to Voyage Care BondCo PLC. In this annual report, ‘‘we’’, ‘‘us’’, ‘‘our’’ and the ‘‘Group’’ refer to Voyage Care 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 2016	FYE 2015
Turnover	203.9	203.0
EBITDA (before non-underlying items)	41.3	43.8
Operating profit	16.7	28.3
(Loss) / Profit for the period	(4.9)	7.2
Cash flow from operating activities *	33.8	35.3
Net Debt:		
Senior Secured Notes	222.0	222.0
Second Lien Notes	50.0	50.0
Revolving credit facility	0.0	5.0
Unamortised original issue discount on Second Lien Notes	(0.4)	(0.5)
Gross Debt	271.6	276.5
Cash at bank and in hand	(17.7)	(15.5)
Restricted cash & deferred consideration	1.2	1.6
Total	255.2	262.7
Net Debt / EBITDA (before non-underlying items) **	6.18x	5.99x

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

Commentary on results

Good performance, the key highlights of which are:

Performance during FYE 2016 vs. FYE 2015

- Turnover up 0.4% to £203.9 million largely driven by the Primary Care, Skills for Living and Redcliffe acquisitions
- EBITDA before exceptional items down 5.7% to £41.3 million
- Like-for-like turnover down 0.8% to £197.4 million
- Quality scores remains high, with 91.5% of services achieving a rating of Good or Outstanding following inspection against the requirements introduced in October 2014
- Occupancy consistent at 90%

Recent developments

- National Living Wage came into effect on 1 April 2016
- Spending Review on 25 November 2015. Councils now have the ability to raise ring-fenced adult social care funding by applying a 2% precept to council tax bills
- Better Care Fund will be available from 2017 as an attempt to better integrate CCG and social care funded commissioning
- No material impact for the business as a result of Brexit

Other changes

- IFRS was adopted for the year ended 31 March 2016. The comparatives for the year ended 31 March 2015 has been restated accordingly.

Management changes

- Appointment of Andrew Cannon as Chief Executive Officer (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 2,976 people as at 31 March 2016. 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 72% of the people we support have been in our care for more than five years and certain of the people we support have been in our care for more than 20 years. Approximately 38% of the people we support are under 40 years of age, which contributes to a long average length of stay. The non-discretionary nature of such high acuity, long-term conditions, combined with the long average length of stay, provides us with visibility of expected occupancy levels and provides a degree of resilience to government spending pressures.

Of the care we provide, 95% is paid for by Local Authorities and the NHS and, as at 31 March 2016, we generated turnover from over 250 of these publicly-funded 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 91.5% of services inspected achieving a rating of Good or Outstanding following inspection. In Wales and Scotland, all of our services are ‘compliant’ with their respective inspection regimes.

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 £1,477 per person for the year ended 31 March 2016.

At 31 March 2016, we provided care to 2,465 individuals through our residential division with a total capacity of 2,739 residential beds and supported a further 511 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 seven regional managing directors, 42 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 receiving regular audits which are more stringent than the regulatory minimum standards. 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 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.

The quality of our services is governed by the Quality, Safety and Risk Committee who meet at least five times a year to receive and review key outcome measures and individual services which enable them to maintain an oversight of the management and quality of care by the organisation. We are constantly developing our quality assurance programmes to ensure that we have measures in place to address quality concerns and regulatory requirements. We continue to update the Service Risk Scorecard dashboard (and early warning indicator of quality issues) 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 regional managing directors report to the Chief Operating Officer and have significant experience 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 278 registered homes as at 31 March 2016. We hold the freehold interest in 240 of our registered homes and 2 of our registered homes are held on a long leasehold basis (each with a lease period of over 35 years remaining), collectively representing 90% of our registered homes by number of beds. At 31 March 2016 we had 2,095 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 2016, we provided services in 184 Communal Supported Living locations with 644 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 2,739 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 2016, the outreach division delivered approximately 14,700 hours of care per week, providing bespoke services to approximately 511 individuals, with support averaging approximately 29 hours per week per person.

Recent developments

National Minimum Wage increased to £6.70 per hour on 1 October 2015 (from £6.50 per hour) and, in addition, the National Living Wage came into effect at £7.20 per hour on 1 April 2016. We recognise there will be a substantial increase in our wage cost but we are wholly in favour of the increased reward to our staff.

Furthermore, the chancellor announced two additional funding streams:

1. The Council tax precept, allowing local authorities to raise an additional 2% per annum on council tax which is ring-fenced for adult social care.
2. Better Care Fund, this is designed to help integrate NHS and social care co-funding and will be available from 2017.

Organisational developments

Andrew Cannon was appointed as Chief Executive Officer in August 2015. Andrew Winning, who acted as the Interim Chief Executive Officer, continues in his position as Chief Financial Officer.

Brexit

The decision to leave the EU was taken on 23 June 2016. The process to exit is, as yet, unclear but we take comfort that our business is wholly located in the UK, has no cross-border trading, and only about 5% of our workforce are non-UK EU nationals.

Employees

The employee headcount at 31 March 2016 was 8,600 and included 8,100 support staff (including bank workers) and service managers, 90 nurses and therapists, 7 managing directors, 42 operations managers, 121 other service staff, and 240 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 6,500 hours per week on average (c. 2.9% of total care hours) across our services for the year ended 31 March 2016. 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 14 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, with employee pay and benefit packages linked to their respective 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 2016. 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 Voyage Care HoldCo Limited (the ultimate parent undertaking of Voyage BidCo Limited), is composed of the following members:

Executives of the company:		Executives of the investors:	
Name	**Job Title**	**Name**	**Job Title**
Gavin Simonds	Non-executive Chair	Andrew Deakin	Investor Director - Partners Group
Andrew Cannon	Chief Executive Officer	Dr Remy Hauser	Investor Director - Partners Group
Andrew Winning	Chief Financial Officer	Charlie Troup	Investor Director - Duke Street
Jayne Davey	Chief Operating Officer	Douglas Quinn	Investor Director - Duke Street

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

Executives of the company

Gavin Simonds (Non-executive Chairman) joined the Board of Voyage Care 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 Cannon (Chief Executive Officer) was appointed in August 2015 and had previously been Managing Director of Bupa Care Services leading a team of 27,000 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.

Andrew Winning (Chief Financial Officer) was Interim Chief Executive for an 8 month period ending August 2015, pending the appointment of Andrew Cannon. Andrew returned to the position of Chief Financial Officer 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 is a Chartered Accountant degree in Economics.

Jayne Davey (Chief Operating Officer) was Director of Quality and Improvement from March 2013 and took up her current post in March 2015. Since 2005 she 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.

Executives of the Investors

Andrew Deakin (Investor Director – Partners Group) has been a director of Voyage Care 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.

Dr Remy Hauser (Investor Director – Partners Group) joined the board of Voyage Care HoldCo Limited in October 2015. Remy is part of the industry value creation business unit, based in Zug and is globally responsible for Partners Group's Healthcare Vertical. He is a member of Partners Group's global investment committee, the private equity directs investment committee, and the private debt investment committee. He has been with Partners Group since 2001 and has 18 years of industry experience. Involved in all healthcare investments of Partners Group, he is currently also a board member of Multiplan. Prior to joining Partners Group, he worked at Credit Suisse Financial Services. He holds an MBA from the University of Chicago Booth School of Business, Illinois and a PhD in molecular biology and biochemistry from the University of Basel, Switzerland.

Charlie Troup (Investor Director – Duke Street) has been a director of Voyage Care 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 Voyage Care 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.

Senior Management Team

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

Name	Job Title
Carl Brown	Director of Finance
Sue Donley	Human Resources Director
Matthew Flinton	Commercial Director
Amanda Griffiths	Director of Quality
Zia Khan	Head of Business Systems
John McGarry	Property Director
Philip Sealey	Company Secretary
Regional Managing Directors	
Russell Baldwin	Managing Director, South West
Brian Flynn	Managing Director, North (appointed July 2016)
David Green	Managing Director, South
Antonella Laurenti	Managing Director, Central East (commencing August 2016)
Alan Marshall	Managing Director, Central West
Ayesha Trott	Managing Director, South East
Helen Hodgson	Managing Director, Specialist Healthcare

Carl Brown (Director of Finance) re-joined the Group in March 2015, having been previously with the Group from 2005 to 2011 in the role of Group Financial Controller. Prior to re-joining Voyage, Carl spent 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.

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.

Matthew Flinton (Commercial Director) joined the Group in January 2015, and has 11 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.

Zia Khan (Head of Business Systems) joined the Group in 2002 as Financial Accountant. He was promoted to Finance & Systems Manager in 2005. He had a change of role in 2011 when he became Head of Business Systems to oversee the automation of the operational business. Previous roles include Financial Controller for a large bingo business, stainless steel stockholder and a powered access company.

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.

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

Russell Baldwin (Managing Director, South West) joined the group in November 2015 having previously been the partnership director at Mears Care. Russell has held a variety of senior positions within the health and social care sector since 2007 including Operations Director for Allied Healthcare and Director Care at Home for Care UK.

Brian Flynn (Managing Director, North) joined the Group in July 2016 having previously been the Managing Director of Allied Healthcare and most recently with the SAGA Group. Brian has a background in health and social care over the last 9 years, prior to this Brian held Managing Director roles with companies in varied service industries.

David Green (Managing Director, South) joined the Group in June 2012 following 29 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.

Antonella Laurenti (Managing Director, Central East) will join the Group in August 2016 with 5 years social care experience at senior level with Bupa Care Services. Antonella was previously Head of Field Operations for Eon, one of the largest energy providers in the UK. Antonella has an MBA in Management from Trent University.

Alan Marshall (Managing Director, Central West) joined the Group in June 2015 as Director of Community Services, and was appointed as Managing Director for Central West in July 2016. Alan has over 25 years' experience within the health and social care sector holding senior positions within several national care organisations. Alan joined Voyage from Affinity Trust where he held the position of Director of Operations and Quality. Alan has an MBA from Chester University.

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 sector 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.

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 25 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 market leading companies along with smaller start up experience.

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 purchasers, such as Local Authorities and the NHS, account for almost our entire turnover. There is a risk that budget constraints, public spending cuts 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 2016, 96% of the people we support are funded on spot 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 2016, we provided care to circa 100 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 (and agency), 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. Utility costs can also have an impact on our operating profit. 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. In addition, the minimum wage regulations may be unclear in some aspects of their application to us, such that we may suffer claims that we have not fully complied with these regulations.

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 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), 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 (including Brexit). 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 whose 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 2016, consultancy fees and expenses were paid as follows:

- Consultancy fees of £300,000 (£225,000 accrued and £75,000 paid) and expenses of £4,500 were paid to Duke Street LLP
- Consultancy fees of £300,000 were accrued 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. On 31 May 2016, we, together with the Guarantors, reduced the Revolving Credit Facility to £37.5 million and the Consolidated Leverage Ratio covenant was reset to 7.95x for the life of the facility.

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 2016 ("FYE 2016") and 31 March 2015 ("FYE 2015").

Following the changes to UK GAAP introduced by the Financial Reporting Counsel, the directors of the company have chosen to adopt International Financial Reporting Standards as endorsed by the EU ("IFRS-EU") for the preparation of the consolidated financial statements, and Financial Reporting Standard 101 ("FRS 101") for the preparation of the company financial statements, and the financial statements for the year ended 31 March 2016 are the first prepared under those standards. The transition date is 1 April 2014, and the comparative information for the year ended 31 March 2015 has been restated accordingly.

Other financial measures

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

- ''cash conversion'' means EBITDA before non-underlying items less maintenance capital expenditure divided by EBITDA before non-underlying items.
- ''EBITDA'' means earnings before interest, tax, depreciation (including losses and profits on disposal of fixed assets) and amortisation.
- ''EBITDA before non-underlying items'' means EBITDA as adjusted to remove the effects of certain non-underlying 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 non-underlying items'' means EBITDA before non-underlying items and before rent expense.
- ''Unit EBITDA before non-underlying items'' means EBITDA before non-underlying items and 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 non-underlying items, EBITDAR before non-underlying items and Unit EBITDA before non-underlying 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 IFRS 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 IFRS Metrics reported by us to such metrics or other similar metrics as reported by other companies. None of our Non IFRS Metrics is a measurement of performance under IFRS and you should not consider those measures as an alternative to net income or operating profit determined in accordance with IFRS, as the case may be. The Non IFRS 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 IFRS 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 in our registered and communal supported living divisions 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.

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 2016	FYE 2015
Registered	2,101	2,146
Communal Supported Living	615	480
Residential	**2,716**	**2,626**
Outreach placements	568	725
Total	**3,284**	**3,351**

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 2016	FYE 2015
Registered	89.8%	90.4%
Communal Supported Living	89.9%	90.7%
Residential	**89.8%**	**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	
	2016	**2015**
Registered	1,558	1,537
Communal Supported Living	1,202	1,227
Residential	**1,477**	**1,480**
Outreach	15.56	14.90

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, service managers, regional management teams and central 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
- increases in the national minimum wage and national living wage (both to be increased together from April 2017)
- increases in wage rates for staff in other service industries (with which we compete for staff)
- 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.
- bonus schemes, being annual and other schemes operating at any one time.

	FYE 2016	**FYE 2015**
Staff Costs (£m) *	127.2	124.3
% Turnover	62.4%	61.2%
% Operating costs **	78.2%	78.1%

	FYE 2016	**FYE 2015**
Staff Costs (excluding central overheads) (£m) *	116.2	114.0
% Turnover	57.0%	56.2%
% Operating costs **	71.5%	71.6%

** Staff costs stated before non-underlying items*
*** Excludes depreciation and impairment of fixed assets, profit/loss on disposals of fixed assets, goodwill amortisation, interest, and taxation*

Other operating costs (in addition to staff 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 2016	FYE 2015	% Change
Turnover	**203.9**	**203.0**	**0.4%**
Staff costs	(127.2)	(124.3)	(2.3%)
Direct expenses & consumables	(7.7)	(7.9)	2.5%
Property lease rentals	(3.3)	(3.6)	8.3%
Other lease rentals	(1.9)	(2.5)	24.0%
Other external charges	(22.5)	(20.9)	(7.7%)
EBITDA before non-underlying items	**41.3**	**43.8**	**(5.7%)**
Non-underlying items	(4.5)	(4.0)	(12.5%)
EBITDA	36.7	39.8	(7.8%)
Depreciation & impairment of fixed assets	(10.8)	(10.7)	(0.9%)
Profit on disposal of fixed assets	0.3	0.0	nm
Impairment of goodwill	(8.6)	0.0	nm
Amortisation of intangible assets	(1.0)	(0.8)	(25.0%)
Operating profit	**16.7**	**28.3**	**(41.0%)**
Finance income	0.1	0.0	nm
Finance expense	(24.2)	(23.4)	(3.4%)
Profit before taxation	**(7.5)**	**4.9**	**nm**
Taxation	2.6	2.4	(8.3%)
Profit for the period	**(4.9)**	**7.2**	**nm**
Other financial metrics			
Staff costs (excluding central overheads)	116.2	114.0	(1.9%)
Overhead expenses & bonus	16.1	15.3	(5.2%)
Unit EBITDA before non-underlying items	57.4	59.2	(3.0%)
EBITDA before non-underlying items margin %	20.3%	21.6%	(1.3%)
EBITDA margin %	18.0%	19.6%	(1.6%)
EBITDAR	40.1	43.4	(7.6%)
EBITDAR margin %	19.7%	21.4%	(1.7%)
EBITDAR before non-underlying items	44.6	47.4	(5.9%)
EBITDAR before non-underlying items margin %	21.9%	23.3%	(1.4%)

Turnover

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

- For FYE 2016 turnover increased by £0.9 million, or 0.4% to £203.9 million from £203.0 million for FYE 2015, primarily due to the full year impact of the Primary Care (June 2014), Skills for Living (August 2014) and Redcliffe (March 2015) acquisitions. The amount of turnover attributable to Primary Care, Skills for Living and Redcliffe in FYE 2016 was £1.8 million, £3.7 million and £1.1 million respectively.

Staff costs

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

- Staff costs (excluding overheads) for FYE 2016 increased by £2.2 million, or 1.9% to £116.2 million (which represented 57.0% of turnover) from £114.0 million (which represented 56.2% of turnover) for FYE 2015, primarily due to the full year impact of the Primary Care (June 2014), Skills for Living (August 2014) and Redcliffe (March 2015) acquisitions, in addition to an increase in the National Minimum Wage and certain discretionary 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 (e.g. food, etc.), day care activities, registration fees and therapists particularly for those people we support with acquired brain injuries.

- For FYE 2016 direct expenses and consumables reduced by £0.2 million, or 2.5% to £7.7 million from £7.9 million for FYE 2015.

Property lease rentals

Property lease rentals consist primarily of leases on registered and communal supported living care homes. At 31 March 2016, we had 41 short-term leases, consisting of 33 registered care homes and 8 communal supported living properties. In addition, 2 of our registered homes were held on a long leasehold basis (each with a lease period of over 35 years remaining). At 31 March 2016, 12.6% of our registered care homes and 4.3% of our communal supported living care homes were held under operating leases.

- For FYE 2016 property lease rentals reduced by £0.3 million to £3.3 million from £3.6 million for FYE 2015.

Other lease rentals

Other lease rentals consist primarily of motor vehicle leases. We currently lease approximately 300 vehicles, which are primarily used to transport the people we support.

- For FYE 2016 other lease rentals reduced by £0.6 million to £1.9 million from £2.5 million for FYE 2015, 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 2016 other external charges increased by £1.6 million, or 7.7% to £22.5 million from £20.9 million for FYE 2015. This increase is primarily due to increased spend on Agency, as well as the full year impact of the Primary Care and Skills For Living acquisitions, partially offset by savings on utility costs.

EBITDA and EBITDA before non-underlying items

EBITDA is not a recognised performance measure under IFRS 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 non-underlying items

EBITDA before non-underlying items consists of EBITDA as adjusted to remove the effects of certain non-underlying charges.

- For FYE 2016 EBITDA before non-underlying items reduced by £2.5 million, or 5.7% to £41.3 million from £43.8 million for FYE 2015. This increase is primarily attributable to an increase in staff costs and agency costs, partially offset by the extra contribution from the full year impact of the Skills For Living and Redcliffe acquisitions, in addition to savings on property lease and other lease rentals.

Non-underlying items

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

- For FYE 2016 non-underlying items increased by £0.5 million to £4.5 million from £4.0 million for FYE 2015. Non-underlying items for FYE 2016 related primarily to a one-off cost in relation to our Day Care business and external consultancy fees. The non-underlying items for FYE 2015 primarily related to Noteholder and RCF provider consent solicitation as a result of the sale of Voyage Holdings Limited, external consultancy fees and staff related costs.

EBITDA

- For FYE 2016 EBITDA reduced by £3.1 million, or 7.8% to £36.7 million from £39.8 million for FYE 2015. This reduction is attributable to the reduction in EBITDA before non-underlying items, and an increase in Non-underlying items.

Depreciation and impairment of fixed assets

Depreciation and impairment of fixed assets comprises the write off of the cost of fixed assets to their residual value over their estimated useful life. Non-current assets once classified as held for sale are not depreciated or amortised, and are stated at the lower of previous carrying value and fair value .

- For FYE 2016 depreciation and impairment of assets increased by £0.1 million to £10.8 million from £10.7 million for FYE 2015.

Profit / loss on disposal of fixed assets

Profit / 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 2016 the profit on the disposal of fixed assets was £0.3 million. We recorded a profit on disposal of £11,000 in FYE 2015.

Impairment of goodwill

Goodwill is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated to cash generating units (CGUs) that are expected to benefit from that business combination.

- For FYE 2016 impairment of goodwill increased by £8.6 million to £8.6 million from £0.0 million for FYE 2015.

Amortisation of intangible assets

Intangible assets arose as a result of a number of acquisitions in FYE 2015 and have been calculated on the basis of multiple excess earnings, estimated avoided loss of profits and relief royalty. Intangible assets with finite useful lives that are acquired separately or in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The carrying amounts of intangible assets are reviewed annually to determine whether the assets have suffered an impairment loss.

- For FYE 2016 amortisation of intangible assets increased by £0.2 million to £1.0 million from £0.8 million for FYE 2015.

Operating profit

Operating profit consists of earnings before interest and taxation.

- For FYE 2016 operating profit reduced by £11.6 million, or 41.0% to £16.7 million from £28.3 million for FYE 2015. This reduction is primarily due to a £8.6 million impairment of goodwill and a reduction in EBITDA of £3.1 million.

Finance income

Finance income consists of interest received on current account and deposit account balances.

- For FYE 2016 interest receivable and other income increased by £80,000 to £97,000 from £17,000 for FYE 2015.

Finance expenses

Finance expenses 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.

- For FYE 2016 interest payable and similar charges on bank loans increased by £0.8 million to £24.2 million from £23.4 million for FYE 2015.

Profit / (loss) before taxation

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

- For FYE 2016 profit / loss before taxation reduced by £12.4 million to £7.5 million loss from £4.9 million profit for FYE 2015. This reduction is primarily due to a £8.6 million impairment of goodwill and a reduction in EBITDA of £3.1 million.

Taxation

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

- For FYE 2016 the taxation credit was £2.6 million compared to taxation credit of £2.4 million for FYE 2015. 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 2016 the result for the period reduced by £12.1 million to £4.9 million loss from £7.2 million profit for FYE 2015. This reduction is primarily due to a £8.6 million impairment of goodwill and a reduction in EBITDA of £3.1 million.

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 coming year.

At 31 March 2016 and 31 March 2015, our cash balances were £17.7 million and £15.5 million, respectively.

Net bank debt as at 31 March 2016 was £255.2 million, comprising £272.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, no borrowings under the Revolving Credit Facility, £17.7 million of cash and £0.4 million of unamortised original issue discount on the Second Lien Notes. Within the £17.7 million cash balance is £1.2 million of restricted cash and deferred consideration which is excluded from cash for the purposes of calculating the net debt.

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, £5.0 million 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 which is excluded from cash for the purposes of calculating the net debt.

Consolidated Cash flow statement

£ million	**FYE 2016**	**FYE 2015**	**% Change**
EBITDA before non-underlying items	41.3	43.8	(5.8%)
Maintenance capex	(7.5)	(8.5)	(11.7%)
Operating cash flow	**33.8**	**35.3**	**(4.4%)**
Cash conversion %	*81.8%*	*80.6%*	*1.2%*
Non-underlying items (1)	(4.5)	(4.0)	12.4%
Working capital	5.2	3.8	36.3%
Capital expenditure (2)	(5.1)	(3.8)	(33.9%)
Interest	(20.9)	(20.8)	(0.5%)
Taxation	(0.4)	0.1	nm
FCF before acquisitions and financing	**8.1**	**10.7**	**(23.9%)**
Acquisition (3)	(0.9)	(6.9)	87.7%
Acquisition integration costs	(0.1)	(0.0)	(89.2%)
FCF before financing	**7.2**	**3.7**	**93.8%**
Net cash flow used in financing activities	(5.0)	(3.0)	(66.0%)
Movement in cash for the period	**2.2**	**0.7**	**nm**
Opening cash and cash equivalents	15.5	14.7	(4.9%)
Closing cash and cash equivalents	**17.7**	**15.5**	**14.4%**
Other financial metrics			
Development capex (£m)	1.8	3.5	(50.5%)
Maintenance capex, excluding IT spend (£m)	6.9	7.4	6.3%
Maintenance capex, excluding IT spend (% turnover)	3.4%	3.6%	(0.2%)
Maintenance capex, excluding IT spend (£k pa per residential bed)	2.8	3.1	8.7%

(1) Excludes cash flows in relation to acquisition integration costs.
(2) Net of disposal proceeds and includes the purchase of motor vehicles, service related capital expenditure (non-maintenance) 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

Operating cash flow

- For FYE 2016 our operating cash flow reduced by £1.5 million, or 4.4% to £33.8 million from £35.3 million for FYE 2015. The reduction is as a result of a £2.5 million reduction in EBITDA before non-underlying items, partially offset by a £1.0m reduction in maintenance capex.

Non-underlying items

- For FYE 2016 non-underlying items increased by £0.5 million to £4.5 million from £4.0 million for FYE 2015. Non-underlying items for FYE 2016 related primarily to a one-off cost in relation to our Day care business and external consultancy fees. The non-underlying items for FYE 2015 primarily related to Noteholder and RCF provider consent solicitation as a result of the sale of Voyage Holdings Limited, external consultancy fees and staff related costs.

Working capital

- For FYE 2016 our working capital inflow increased by £1.4 million to £5.2 million from £3.8 million for FYE 2015. The movement in working capital is primarily due to favourable movements in trade payables, accruals and deferred income.

Capital expenditure

- For FYE 2016 our net cash flow used in investing activities increased by £1.3 million, to £5.1 million from £3.8 million for FYE 2015. The movement in spend is primarily due to the increase in expenditure on the purchase of tangible fixed assets in FYE 2016 compared to FYE 2015

Capital expenditure primarily comprises build costs and other professional expenses in connection with new builds, conversions of existing properties, and the purchase of motor vehicles. Maintenance capital expenditure (which is recorded separately) primarily comprises purchases of new replacement equipment and fixtures. Our future capital (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.

Interest

- For FYE 2016 our interest cost increased by £0.1 million to £20.9 million from £20.8 million when compared to FYE 2015.

Taxation

- For FYE 2016 our taxation increased by £0.5 million to £0.4 million cost from £0.1 million income when compared to FYE 2015.

Acquisition

- For FYE 2016 our spend on acquisitions reduced by £6.0 million to £0.9 million from £6.9 million when compared to FYE 2015. In FYE 2016 there was £0.9m deferred consideration paid in relation to the freehold purchase of Quercus leases which we acquired March 2014. In FYE 2015 we acquired Primary Care (June 2014), Skills for Living (August 2014) and Redcliffe (March 2015).

Net cash flow used in financing activities

- For FYE 2016 our net cash flow used in financing activities was £5.0 million outflow compared to £3.0 million outflow FYE 2015 due to movement on the RCF facility.

Contractual obligations

The following table summarises our material contractual obligations at 31 March 2016. 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)	3.9	9.8	24.0	37.7
Total	**3.9**	**281.8**	**24.0**	**309.7**

(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-16	Mar-15 (audited)	% Change
Non-current assets	401.1	409.5	(2.1%)
Current assets			
Trade debtors, other debtors, prepayments *	16.3	15.5	5.2%
Cash at bank and in hand	17.7	15.5	14.4%
Assets classified as held for sale	2.4	1.1	121.0%
Total assets	**437.5**	**441.6**	**0.9%**
Non-current liabilities			
Loan notes	265.1	262.7	(0.9%)
Tax liabilities	14.2	16.7	15.0%
Provisions for liabilities and charges	6.7	7.1	5.7%
Current liabilities *	41.5	40.3	(3.2%)
Equity	110.0	114.8	4.3%
Total equity and liabilities	**437.5**	**441.6**	**0.9%**

** Debtors in FYE 2016 include £0.5 million of intercompany loans (FYE 2015: £0.4 million), and current liabilities in FYE 2016 include £2.0 million of intercompany loans (FYE 2015: £1.9 million).*

Critical accounting policies

The preparation of financial information in conformity with IFRS 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.

Business combinations and goodwill

Acquisitions are accounted for using the acquisition method as at the acquisition date and costs incurred in relation to the acquisition are expensed and included within operating expenses.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. If the contingent consideration is not classified as equity, changes to fair value are recognised in the statement of profit and loss.

Any deferred consideration payable is recognised at fair value at the acquisition date and changes to fair value are recognised in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment annually.

If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in statement of profit and loss. In accordance with FRS 101, the difference will be recognised and separately disclosed on the face of the statement of financial position as negative goodwill.

The group elected to adopt an exemption of IFRS 1 First-time Adoption relating to business combinations. As a result, acquisitions prior to 1 April 2014 have not been restated under IFRS, any goodwill generated prior to the transition date has been deemed as cost.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Taxation including deferred taxation

The charge for taxation is based on the profit or loss for the period and comprises current and deferred taxation. Income tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Tax currently payable is based on the taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Tax is calculated using tax rates enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure incurred in bringing the asset into working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is charged to the statement of profit and loss 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 - 2.0%
- Motor vehicles - 25.0%
- Fixtures, fittings and equipment - 20.0%
- Computers - 33.0%

Gains and losses of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and are recognised net within the statement of profit and loss.

Employee benefits

The assets of all pension plans are held separately from those of the group, in separately administered funds.

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate company and will have no legal obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the period during which services are rendered by employees.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling. The group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the statement of profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

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 statement of profit and loss on a straight line basis over the lease term. Lease incentives received are recognised in the statement of profit and loss as an integral part of the total lease expense.

The group is required to perform dilapidation repairs on certain leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs is made where a legal obligation is identified and the liability can be reasonably quantified.

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 2016	FYE 2015	% Change
Registered	151.5	153.9	(0.2%)
Communal Supported Living	34.2	27.6	23.9%
Residential	185.8	181.5	2.4%
Outreach	14.0	17.7	(20.9%)
Daycare	4.2	3.7	11.2%
Total	**203.9**	**203.0**	**0.4%**

Other financial metrics	FYE 2016	FYE 2015	Change
Average residential occupancy	2,439	2,376	63
Average residential occupancy %	89.8%	90.5%	(0.7%)
Average weekly outreach invoiced hours *	17,300	22,900	(5,600)

** Stated before reclassification between Communal Supported Living and Outreach. Restated average weekly invoiced outreach hours are 15,500 (FYE 2016) and 17,800 (FYE 2015)*

Voyage BidCo Limited

Annual report and consolidated financial statements

Registered number 05752534

For the year ended 31 March 2016

Voyage BidCo Limited
Annual report and consolidated financial statements
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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 2016 the group had a residential capacity of 2,739 places, an increase of 78 places from the 2,661 places as at 31 March 2015. Over the year our residential occupancy remained at 90%.

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 funders.

The National Living Wage came into effect on 1 April 2016 at £7.20 for all employees aged 25 and over. The National Living Wage clearly impacts our cost base and we are getting additional funding from Local Authorities and the Clinical Commissioning Groups to compensate us for these costs.

To help increase social care funding the Chancellor has announced two new funding streams:

- The Council Tax Precept, allowing Local Authorities to raise an additional 2% per annum on council tax which is ring fenced for adult social care; and
- Better Care Fund, designed to help integrate NHS and social care co-funding; it will be available from 2017.

Voyage Care continues to negotiate with Local Authorities and Clinical Commissioning Groups in order to obtain additional funding to cover the additional direct and indirect costs arising from the introduction of the National Living Wage.

During the year we have also made some major changes in the composition and structure of our senior management team. In particular we have appointed a new CEO, Andrew Cannon, and our COO, Jayne Davey, was appointed to the groups board and together with the support of new and existing team members, has steered the group successfully through challenging times.

The current year has started well and we are delighted to have been named specialist care provider of the year at the Health Investor Awards. 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.

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

Quality Assurance
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 92% of services that have achieved a rating of Good or Outstanding following inspection by CQC. Additionally 100% of homes and services registered in Scotland and Wales were found to be compliant when inspected by their regulators.

Quality is monitored by the board via the group's 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.

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

The group recognises the recruitment, training and retention of top quality staff is critical to its success. As a result, we have continued to invest heavily in training, approximately £1.80 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.

In addition the group has an in-house learning and development team which is dedicated to delivering courses on all relevant subjects, enabling our employees to gain the necessary skills set, knowledge and confidence to achieve Voyage Care's high standards of care for the people we support. Our in-house learning and development team is also registered with Ofsted and has achieved a 'Good' rating. Recruitment from first point of contact to employment, including Disclosure and Barring Service checks, is administered by the group's bespoke system; staff turnover is closely monitored and exit interviews performed to identify underlying trends.

The group has a robust human resources department which works closely with our employees to foster consultation in all matters, ensure fair pay for all and facilitate flexible working where feasible. Our policies ensure any discrimination will not be tolerated, either directly or indirectly, in recruitment or employment. We demonstrate our commitment by promoting equal opportunities for our current and potential employees, promoting an environment free from discrimination, bullying, harassment and challenging behaviour and providing support and encouragement to our employees to develop their careers and increase their contribution to Voyage Care.

Voyage Care is committed to having a diverse workforce in terms of gender, background, experience and nationality at all levels within the organisation. As at 31 March 2016 there were 8,600 employees of whom 2,150 were male and 6,450 were female. Of these 18 are considered to be Senior Executives, of this number, 10 were males and 8 were females.

Health and safety

We have a positive approach to risk, we don't prevent people we support from doing what they want because there may be some associated risk. We provide a process for planning risk-taking strategies and risk assessment is contained within the guidelines for each of the people we support. In considering risk, we consult and share ownership with all involved; ranging from the people we support, our staff, families, advocates and social workers.

Social, community and human right issues

Our focus is to integrate the people we support into the community and as a result the people we support have developed strong bonds with their surrounding communities. In addition, we have direct involvement in a number of community based programmes such as fundraising. We recruit staff locally and use local shops for food and provisions rather than national suppliers directly delivering to our services. This is both good for the community and good for the environment. These activities have helped improve the understanding in the community of what we do whilst further improving our service reputation and strengthening our relationship with Local Authorities.

Voyage Care has initiated a volunteering programme which allows the people we support to gain valuable work experience by assisting a number of teams within the group's head office. We are keen to encourage people we support in gaining the skills, experience and knowledge to gain work opportunities.

Our aim is to ensure our business activities are conducted in such a way that we are not complicit in the abuse of fundamental human rights. These principles are reflected in all that we do and are fundamental to the practices of an ethical company. We are committed to supporting human rights through our compliance with laws and regulation in all aspects and geographies of our operations.

The group places particular emphasis on training and policies. Before any individual in our care receives any care or treatment they are asked for their consent, or where the person we support does not have the capacity to consent, the provider acts in accordance with legal requirements.

Environmental matters

The group seeks to minimise its impact on the environment in all areas of the business. Energy costs are closely monitored centrally and we are encouraging more efficient consumption of energy, without compromising the people we support.

To minimise the impact on the environment, the group has introduced a number of paper saving techniques such as making procedures manuals and forms available online and the installation of electronic attendance recording systems in our services. In addition, the group limits the impact on the environment by:

- Recycling all office waste and promoting recycling in our services;
- Ensuring all waste is disposed of responsibly in approved places; and
- Ensuring that the environment is considered in the procurement of goods and services.

Business review

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

At 31 March 2016, the group had net assets of £109,951,000 (2015: £114,847,000). This analysis is detailed on the consolidated statement of financial position (see page 10).

Correspondingly, for the 12 month period ended 31 March 2016, the group reported a profit before taxation and non-underlying items of £6,799,000 (2015: £11,493,000) and a loss before taxation of £7,448,000 (2015: profit before taxation £4,878,000). This analysis is detailed on the consolidated statement of profit and loss (see page 8).

Net debt at the year end amounted to £247,656,000 (2015: £252,402,000) with committed but undrawn facilities of £37.5 million. Under the terms of its Revolving Credit Facility, the group is required to meet one financial covenant test on a quarterly basis. The covenant is Net Debt/EBITDA. The group reported headroom on its covenants testing during the year ended 31 March 2016 with management forecasts indicating continued covenant headroom throughout 2016 and 2017.

Voyage BidCo Limited
Strategic Report continued
For the year ended 31 March 2016

Key performance indicators
The board uses a number of financial and non-financial performance indicators to monitor the performance of the business. These include:

Financial

	2016 £000	2015 £000
Revenue	203,914	203,244

Revenue in respect of the provision of care services represents the fair value of fee income receivable for the period and is recognised in respect of the care that has been provided in the relevant period.

	2016 £000	2015 £000
EBITDA (before non-underlying items)	41,292	43,831

EBITDA (before non-underlying items) is calculated by adding back depreciation, amortisation and profit and loss on disposal in the year to operating profit (before non-underlying items).

Non-financial (1) (2)

(a) Agency usage
Reducing agency improves service quality and reduces our cost base. We remain committed to improvements in recruitment, retention and in systems, in order to reduce agency usage.

(b) Quality

	2016	2015
Services rated as Good or Outstanding by CQC	92%	85%

As a result of the group operating its own quality assurance function we have achieved excellent results in relation to Services assessed under the CQC rating scheme. We are committed to ensure that quality standards are continually driven forward as we believe this underpins our performance and organic growth.

(c) Occupancy

	2016	2015
Registered		
Absolute number	1,890	1,933
% of capacity	90%	90%
Supported Living		
Absolute number	575	471
% of capacity	90%	90%

Occupancy represents the total number of beds occupied as at the year end. New developments impact the occupancy percentage, it is therefore important, that we report both absolute number and occupancy percentage. More recent developments are in the process of being filled which has impacted the occupancy percentage.

(d) Average weekly fee

	2016	2015
Registered	£1,556	£1,537
Supported Living	£1,204	£1,227

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 during the year. We aim to increase our average weekly fee year-over-year by negotiating with Local Authorities and the NHS.

(e) Staff Turnover

	2016	2015
% staff turnover	36%	29%

Staff turnover represents the percentage of employees that left the company during the year.

(1) Non-financial indicators are reported as at 31 March.
(2) These figures are unaudited.

Principal risks

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

- Funding continues to be challenging as government austerity continues. Many Local Authorities have, however, taken advantage of the 2% council tax precept, entirely dedicated to social care funding and in 2017, the Better Care Fund becomes more widely available to the sector;
- 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 funders 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;
- 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, the group is approaching Local Authorities and the NHS to secure additional funding to offset these costs; and
- Brexit - Britain's decision to leave the European Union may lead to a more challenging environment in the short and long term due to uncertainties in the current markets and future impacts on our workforce. We continue to diligently monitor any impact for the group in this time of uncertainty.

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 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 group 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 the CQC) and, in addition comprises the Chief Executive, together with our Chief Operating Officer and Quality Director.

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
25 July 2016

Voyage BidCo Limited
Directors' Report
For the year ended 31 March 2016

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

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 preparation of financial statements for the group and the company has changed from previous UK GAAP to International Financial Reporting Standards (IFRSs) as adopted by the EU and Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) respectively.

The results for the year are set out in detail on page 8.

The directors do not recommend the payment of a dividend (2015: £Nil).

Going concern
The Voyage Care 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 has reset its covenants and reduced its Revolving Credit Facility to £37.5 million from £45 million after 31 March 2016 but before the signing of these financial statements. The Revolving Credit Facility was undrawn at 31 March 2016.

The business has net current liabilities of £5.1 million as at 31 March 2016 (2015: £8.2 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 2016/17 is £31.5 million, compared to forecast debt service costs of £20.9 million providing headroom of £10.6 million. In addition there is headroom of £37.5 million on the Revolving Credit Facility.

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

Financial risk management
Refer to note 31 for disclosure of the group's financial risk management policies and procedures.

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:

Andrew Winning
Andrew Cannon (appointed 25 August 2015)
Philip Sealey

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
Director

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP
25 July 2016

Voyage BidCo Limited

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, 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 group and the parent 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 enable them to ensure that its 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.

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

We have audited the financial statements of Voyage BidCo Limited for the year ended 31 March 2016 set out on pages 8 to 40. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 6, 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 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.

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

Voyage BidCo Limited
Consolidated statement of profit and loss
For the year ended 31 March 2016

	Notes	2016 Underlying	2016 Non-underlying items (2)	2016 Total	2015 Underlying	2015 Non-underlying items (2)	2015 Total
		£000	£000	£000	£000	£000	£000
Continuing operations							
Revenue		203,914	-	203,914	202,982	262	203,244
Operating expenses	11	(172,980)	(14,247)	(187,227)	(168,079)	(6,877)	(174,956)
EBITDA (1)		41,292	(4,538)	36,754	43,831	(4,002)	39,829
Depreciation and impairment of property, plant and equipment	11	(9,644)	(1,199)	(10,843)	(8,116)	(2,617)	(10,733)
Profit on disposal of non-current assets	11	298	-	298	11	-	11
Release of negative goodwill	11	-	46	46	-	4	4
Impairment of goodwill	11	-	(8,556)	(8,556)	-	-	-
Amortisation of intangible assets	11	(1,012)	-	(1,012)	(823)	-	(823)
Operating profit		**30,934**	**(14,247)**	**16,687**	**34,903**	**(6,615)**	**28,288**
Finance income	12	97	-	97	17	-	17
Finance expense	13	(24,232)	-	(24,232)	(23,427)	-	(23,427)
(Loss) / profit before taxation		**6,799**	**(14,247)**	**(7,448)**	**11,493**	**(6,615)**	**4,878**
Taxation	14	2,572	-	2,572	2,367	-	2,367
(Loss) / profit for the year from continuing operations		**9,371**	**(14,247)**	**(4,876)**	**13,860**	**(6,615)**	**7,245**
(Loss) / profit attributable to equity holders of the parent		**9,371**	**(14,247)**	**(4,876)**	**13,860**	**(6,615)**	**7,245**

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

(2) Further breakdown of non-underlying items analysed in note 7.

Voyage BidCo Limited
Consolidated statement of other comprehensive income
For the year ended 31 March 2016

	Notes	2016 £000	2015 £000
(Loss) / profit for the year		(4,876)	7,245
Items that will not be reclassified to profit and loss			
Remeasurements of the defined benefit liability	36	(2)	(12)
Deferred tax movement for the year	24	(18)	(11)
		(20)	(23)
Total comprehensive income attributable to equity holders of the parent for the financial year		**(4,896)**	**7,222**

Voyage BidCo Limited
Consolidated statement of financial position
at 31 March 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000	2014 £000	2014 £000
Non-current assets							
Property, plant and equipment	15	365,459		364,422		361,334	
Goodwill	16	32,770		41,326		39,785	
Intangible assets	17	2,841		3,742		732	
			401,070		**409,490**		**401,851**
Current assets							
Trade and other receivables	19	14,972		14,494		12,788	
Prepayments		1,062		1,038		1,297	
Tax assets		302		-		-	
Cash and cash equivalents	20	17,695		15,469		14,746	
		34,031		31,001		28,831	
Assets classified as held for sale	21	2,435		1,102		925	
			36,466		**32,103**		**29,756**
Total assets			**437,536**		**441,593**		**431,607**
Current liabilities							
Loans and borrowings	22	27		5,035		8,052	
Trade and other payables	23	22,317		18,960		16,043	
Accruals and deferred income		18,682		14,807		13,031	
Tax liabilities		-		115		1,302	
Provisions	25	286		320		194	
Other financial liabilities	30	220		1,018		927	
			41,532		**40,255**		**39,549**
Non-current liabilities							
Loans and borrowings	22	265,135		262,670		260,385	
Tax liabilities	24	14,189		16,686		16,669	
Provisions	25	2,833		3,074		3,220	
Employee benefits	36	211		277		329	
Accruals and deferred income		3,685		3,784		3,830	
			286,053		**286,491**		**284,433**
Total liabilities			**327,585**		**326,746**		**323,982**
Net assets			**109,951**		**114,847**		**107,625**
Equity							
Capital and reserves							
Issued share capital	26	-		-		-	
Share premium	27	224,872		224,872		224,872	
Retained earnings	28	(114,921)		(110,025)		(117,247)	
Total equity attributable to equity holders of the parent	29		**109,951**		**114,847**		**107,625**

These financial statements were approved by the board of directors on 25 July 2016 and were signed on its behalf by:

A Winning
Director

Company registered number: 05752534

Voyage BidCo Limited
Company statement of financial position
at 31 March 2016

	Notes	2016 £000	2015 £000
Assets			
Non-current assets			
Investments	*18*	145,580	163,309
Total non-current assets		145,580	163,309
Current assets			
Trade and other receivables	*19*	350,894	326,257
Total current assets		350,894	326,257
Liabilities			
Current liabilities			
Trade and other payables	*23*	456,642	424,478
Total current liabilities		456,642	424,478
Net assets		39,832	65,088
Equity			
Capital and reserves			
Called up share capital	*26*	-	-
Share premium	*27*	224,872	224,872
Profit and loss account	*28*	(185,040)	(159,784)
Equity shareholders' funds	*29*	39,832	65,088

These financial statements were approved by the board of directors on 25 July 2016 and were signed on its behalf by:

A Winning
Director

Company registered number 05752534

Voyage BidCo Limited
Consolidated and company statement of changes in equity

For the year ended 31 March 2016

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2015	-	224,872	(110,025)	114,847
Total comprehensive income for the year				
Loss for the year	-	-	(4,876)	(4,876)
Other comprehensive income	-	-	(20)	(20)
Total comprehensive income for the year	-	-	(4,896)	(4,896)
At 31 March 2016	**-**	**224,872**	**(114,921)**	**109,951**

For the year ended 31 March 2015

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2014	-	224,872	(117,247)	107,625
Total comprehensive income for the year				
Profit for the year	-	-	7,245	7,245
Other comprehensive income	-	-	(23)	(23)
Total comprehensive income for the year	-	-	7,222	7,222
At 31 March 2015	**-**	**224,872**	**(110,025)**	**114,847**

For the year ended 31 March 2016

Company	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2015	-	224,872	(159,784)	65,088
Total comprehensive income for the year				
Loss for the year	-	-	(25,256)	(25,256)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(25,256)	(25,256)
At 31 March 2016	**-**	**224,872**	**(185,040)**	**39,832**

For the year ended 31 March 2015

Company	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2014	-	224,872	(153,578)	71,294
Total comprehensive income for the year				
Loss for the year	-	-	(6,206)	(6,206)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(6,206)	(6,206)
At 31 March 2015	**-**	**224,872**	**(159,784)**	**65,088**

Voyage BidCo Limited
Consolidated statement of cash flow
For the year ended 31 March 2016

	2016 £000	2015 £000
Cash flows from operating activities		
(Loss) / profit for the year	(4,876)	7,245
Adjustments for:		
Depreciation and impairment of property, plant and equipment	10,843	10,733
Profit on disposal of non-current assets	(298)	(11)
Release of negative goodwill	(46)	(4)
Impairment of goodwill	8,556	-
Amortisation of intangible assets	1,012	823
Finance income	(97)	(17)
Finance expense	24,232	23,427
Tax expense	(2,572)	(2,367)
Movements in working capital:		
Increase in trade and other receivables	(437)	(566)
Increase in trade and other payables	3,354	2,345
Increase in accruals and deferred income	2,601	1,929
(Decrease) / increase in provisions, employee benefits and other financial liabilities	(343)	90
Cash generated from operating activities	41,929	43,627
Interest paid	(20,914)	(20,789)
Tax (paid) / received	(360)	125
Net cash generated from operating activities	20,655	22,963
Cash flows from investing activities		
Interest received	34	12
Payments to acquire property, plant and equipment	(13,596)	(13,308)
Payments to acquire intangible assets	(111)	(281)
Proceeds from sales of property, plant and equipment	1,106	1,281
Net cash outflow on acquisition of subsidiaries	(854)	(6,927)
Net cash used in investing activities	(13,421)	(19,223)
Cash flows from financing activities		
Repayment of loans and borrowings	(5,000)	(3,000)
Payment of finance lease liabilities	(8)	(17)
Net cash used in financing activities	(5,008)	(3,017)
Net increase in cash and cash equivalents in the period	2,226	723
Cash and cash equivalents at the beginning of the period	15,469	14,746
Cash and cash equivalents at the end of the period	**17,695**	**15,469**

Voyage BidCo Limited
Notes to the financial statements
For the year ended 31 March 2016

1 Reporting entity

Voyage BidCo Limited (the company) is a company incorporated in England and Wales. Its parent and ultimate holding company is Voyage Care HoldCo Limited (formerly Viking HoldCo Limited). The consolidated financial statements consolidate those of the company and its subsidiaries (together referred to as the group). The principal activity of the group is the provision of the high quality care and support services for people with learning disabilities, acquired brain injuries and other complex needs.

2 Basis of preparation

The group financial statements have been prepared in accordance with *International Financial Reporting Standards as adopted by the EU (IFRSs).*

The company financial statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) '*Reduced Disclosure Framework'* and the Companies Act 2006.

Under section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own statement of profit and loss and related notes that form part of these approved financial statements. The amount of loss after taxation for the financial year for the company is £25,256,000 (2015: £6,206,000).

These financial statements for the year ended 31 March 2016 are the first the group and the company has prepared in accordance with IFRSs and FRS 101 *'Reduced Disclosure Framework'* respectively and IFRS 1 *First-time Adoption* of IFRS has been applied. An explanation of the impact of the transition is set out in note 5.

Accordingly, the group has prepared the consolidated financial statements in accordance with IFRS applicable for the year ended 31 March 2016, together with comparative period data for the year ended 31 March 2015. In preparing these consolidated financial statements, the group's opening statement of financial position was prepared as at 1 April 2014, the group's date of transition to IFRS.

The group and company financial statements have been prepared under the historical cost convention except for certain financial instruments which are stated at fair value through the statement of profit and loss. Non-current assets held for sale are stated at the lower of previous carrying value and fair value.

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

Going concern

The Voyage Care 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 has reset its covenants and reduced its Revolving Credit Facility to £37.5 million from £45 million after 31 March 2016 but before the signing of these financial statements; the Revolving Credit Facility was undrawn at 31 March 2016.

The group has net current liabilities of £5.1 million as at 31 March 2016 (2015: £8.2 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 2016/17 is £31.5 million, compared to forecast Debt Service Costs of £20.9 million providing headroom of £10.6 million. In addition there is headroom of £37.5 million on the Revolving Credit Facility.

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

3 Accounting policies

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

Business combinations and goodwill

Acquisitions are accounted for using the acquisition method as at the acquisition date and costs incurred in relation to the acquisition are expensed and included within operating expenses.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. If the contingent consideration is not classified as equity, changes to fair value are recognised in the statement of profit and loss.

Any deferred consideration payable is recognised at fair value at the acquisition date and changes to fair value are recognised in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment annually.

If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in statement of profit and loss. In accordance with FRS 101, the difference will be recognised and separately disclosed on the face of the statement of financial position as negative goodwill.

The group elected to adopt an exemption of IFRS 1 *First-time Adoption* relating to business combinations. As a result, acquisitions prior to 1 April 2014 have not been restated under IFRS, any goodwill generated prior to the transition date has been deemed as cost.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

3 Accounting policies *continued*

Intangible assets

Intangible assets with finite useful lives that are acquired separately or in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The carrying amounts of intangible assets are reviewed annually to determine whether the assets have suffered an impairment loss. The estimated useful lives are as follows:

Customer relationships	4 - 7 years
Non-compete agreement	3 years
Brands	1 year

Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continuing operational use. Reclassification will only take place if (i) the asset is available for immediate sale in its present condition; (ii) the asset will be subject to terms for a normal sale of such asset; and (iii) management are commited to the sale and expect the sale to be completed within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

In the consolidated statement of profit and loss for the year, and for the comparable period of the previous year, income and expenses for discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit / loss after taxes. There were no discontinued operations during the year (31 March 2015: £Nil).

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure incurred in bringing the asset into working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is charged to the statement of profit and loss 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%

Gains and losses of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and are recognised net within the statement of profit and loss.

Impairment of property, plant and equipment 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 property, plant and equipment may not be recoverable.

Calculation of recoverable amount

The recoverable amount of property, plant and equipment 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 statement of profit and loss unless it arises on previously revalued property, plant and equipment. An impairment loss on revalued property, plant and equipment is recognised in the statement of profit and loss if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of other comprehensive income 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.

3 Accounting policies *continued*

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are stated at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised at fair value less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost less any impairment losses.

Trade and other payables

Trade and other payables are stated at cost.

Revenue

Revenue in respect of the provision of care services represents the fair value of fee income receivable for the period and is recognised in respect of the care that has been provided in the relevant period. Revenue invoiced in advance is included in deferred income, until the service is provided, whilst revenue billed in arrears is included in accrued income until billed.

Non-underlying items

The group separately identifies and discloses certain items, referred to as non-underlying items, by virtue of size, nature and occurrence. This is consistent with the way that financial performance is measured by senior management and assists in providing a meaningful analysis of operating results by excluding items that may not be part of the ordinary activity of the business.

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 statement of profit and loss on a straight line basis over the lease term. Lease incentives received are recognised in the statement of profit and loss as an integral part of the total lease expense.

The group is required to perform dilapidation repairs on certain leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs is made where legal obligation is identified and the liability can be reasonably quantified.

Financing income and expense

Financing expenses comprise interest payable on loan notes and revolving credit facility and unwinding of the discount on provisions and consideration. In addition, transaction costs that are directly attributable to the arrangement of borrowings are capitalised and recognised in the consolidated statement of profit and loss using the effective interest method.

Interest income and interest payable is recognised in the consolidated statement of profit and loss as it accrues, using the effective interest method.

Taxation including deferred taxation

The charge for taxation is based on the profit or loss for the period and comprises current and deferred taxation. Income tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Tax currently payable is based on the taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Tax is calculated using tax rates enacted or substantively enacted at the date of the statement of financial position.

3 Accounting policies *continued*

Taxation including deferred taxation continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Government grants

Government grants are recognised when there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in the statement of profit and loss on a systematic basis over the periods in which the group recognises the expenditure for which the grants are intended to compensate.

Employee benefits

The assets of all pension plans are held separately from those of the group, in separately administered funds.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate company and will have no legal obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the period during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group’s net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the group’s obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling. The group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the statement of profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Investment in subsidiaries

Investments in subsidiaries are stated at fair value less provisions for impairment.

Segment reporting

Segment results that are reported to the group's board of directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, finance costs and tax assets and liabilities.

FRS 101 disclosure exemptions

As the consolidated financial statements of the group include the equivalent disclosures, the company has taken the exemption under FRS 101 available in respect of the following disclosures:

- a cash flow statement;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of transactions with wholly owned subsidiaries.

3 Accounting policies *continued*

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

• IFRS 9 Financial instruments (effective date to be confirmed once endorsed by the EU);
• IFRS 15 Revenue from Contract with Customers (effective date to be confirmed once endorsed by the EU);
• Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (effective for periods commencing on or after 1 January 2016);
• Disclosure Initiative - Amendments to IAS 1 (effective for periods commencing on or after 1 January 2016); and
• IFRS 16 Leases (effective date to be confirmed once endorsed by the EU).

4 Accounting estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to these estimates are recognised in the period in which the estimates are revised and in any future period affected.

The key assumptions which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGUs) to which goodwill has been allocated. The value in use calculation requires the company to estimate the future cash flows expected to arise from the CGUs, and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 31 March 2016 was £32,770,000 (2015: £41,326,000) (see note 16).

Onerous lease provisions

Determining the extent of the provision requires an estimation of future lease costs, future expected sale proceeds and a discount rate in order to calculate present value. The carrying amount of provision at 31 March 2016 was £3,119,000 (2015: £3,394,000) (see note 25).

Impairment of trade receivables

Determining the extent of the provision requires judgement as to whether certain trade receivables are deemed doubtful although not definitely irrecoverable. The provision is calculated on specific trade receivables identified by examining aged receivable analyses.

5 First-time adoption of FRS 101 'Reduced Disclosure Framework' and IFRS

The company's date of transition to Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) is 1 April 2014. The company has applied IFRS 1 First-time Adoption of IFRS in preparing these first company financial statements whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The company did not have to make any transitional adjustments in restating its reported UK GAAP figures to FRS 101 but the companys financial statements have been presented as far as possible in accordance with IAS 1 Presentation of Financial Statements.

The group's date of transition to International Financial Reporting Standards as adopted by EU (IFRSs) is 1 April 2014. The group has also applied IFRS 1 First-time Adoption of IFRS in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, statement of profit and loss and reported cash flows are presented in this section and are further explained in the notes that accompany the tables.

Transitional arrangements governed by IFRS 1 *First-time Adoption* apply to the group and allows a number of exemptions in order to assist companies with the transition to reporting under IFRS. The most significant exemptions applied to the group are set out below:

Mandatory exemptions

(a) Financial assets and liabilities that had been de-recognised before the date of transition to IFRS under previous UK GAAP have not been recognised under IFRS; and

(b) The group has used estimates under IFRS that are consistent with those applied under previous UK GAAP (with adjustments for accounting policy differences) unless there is objective evidence those estimates were in error.

Optional exemptions adopted

(a) The group has elected to recognise all cumulative actuarial gains and losses for its defined benefit plans at the date of transition;

(b) Business combinations that occurred before the transition date are stated under the group's previous accounting framework, UK GAAP and have not been restated in accordance with IFRS; and

(c) The group has elected to use facts and circumstances existing at the date of transition to determine whether an agreement contains a lease.

Presentation of financial statements

The group's consolidated financial statements have been presented as far as possible in accordance with IAS 1 *Presentation of Financial Statements* . As a result the following amendments have been carried out:

(a) *Consolidated statement of profit and loss*

The financial performance from discontinued operations is shown as a single line item after profit / (loss) after tax from continuing operations. All lines from revenue to profit after taxation will therefore relate solely to continuing operations.

(b) *Consolidated statement of financial position*

Under UK GAAP, the statement of financial position was prepared in accordance with Schedule 4A of the Companies Act 2006. IAS 1 required additional statement of financial position lines for the following:

- Software costs that were previously capitalised and shown within property, plant and equipment are now stated within intangible assets;
- Non-current assets which are held for sale rather than for continuing operational use are now shown within 'assets classified as held for sale';
- Contingent consideration and deferred consideration previously stated within accruals and deferred income under UK GAAP is now stated within other financial liabilities; and
- Provision for liabilities and charges to be split between current and non-current liabilities.

Some line items are described differently under IFRS compared to previous UK GAAP, although assets and liabilities included in these line items are unaffected. These line items are as follows:

- Property, plant and equipment (Tangible assets); and
- Employee benefits (Pension surplus).

(c) *Consolidated statement of cash flow*

Under UK GAAP, the statement of cash flow referred to operating profit as the starting point for presenting operating cash flows whereas under IFRS profit / (loss) for the period is the starting point. Certain line items are categorised differently under IFRS compared to previous UK GAAP, although the net cash flow remains unaffected. The category reclasses are as follows:

- Interest receivable has been reclassified under investing activities from operating activities; and
- Tax paid / (received) has been classified under operating activities and no longer stands alone.

5.1 Reconciliation of equity

This note explains the principal adjustments made by the group in restating its UK GAAP statement of financial position as at 1 April 2014 and its previously consolidated UK GAAP financial statements for the year ended 31 March 2015.

		1 April 2014			31 March 2015		
	Note	**Previous UK GAAP £000**	**Effects of transition to IFRS £000**	**IFRS £000**	**Previous UK GAAP £000**	**Effects of transition to IFRS £000**	**IFRS £000**
Assets							
Non-current assets							
Goodwill	a	31,318	8,467	39,785	32,971	8,355	41,326
Property, plant and equipment	b	362,991	(1,657)	361,334	366,135	(1,713)	364,422
Intangible assets	a	-	732	732	-	3,742	3,742
		394,309	**7,542**	**401,851**	**399,106**	**10,384**	**409,490**
Current assets							
Trade and other receivables		12,788	-	12,788	14,494	-	14,494
Prepayments		1,297	-	1,297	1,038	-	1,038
Cash at bank and in hand		14,746	-	14,746	15,469	-	15,469
		28,831	**-**	**28,831**	**31,001**	**-**	**31,001**
Assets classified as held for sale	b	-	925	925	-	1,102	1,102
		28,831	**925**	**29,756**	**31,001**	**1,102**	**32,103**
Total assets		**423,140**	**8,467**	**431,607**	**430,107**	**11,486**	**441,593**
Liabilities							
Current liabilities							
Loans and borrowings		8,052	-	8,052	5,035	-	5,035
Trade and other payables		16,043	-	16,043	18,960	-	18,960
Accruals and deferred income	c	13,031	-	13,031	14,755	52	14,807
Tax liabilities		1,302	-	1,302	115	-	115
Provisions		194	-	194	320	-	320
Other financial liabilities	e	927	-	927	927	91	1,018
		39,549	**-**	**39,549**	**40,112**	**143**	**40,255**
Non-current liabilities							
Loans and borrowings	e	260,819	(434)	260,385	263,407	(737)	262,670
Tax liabilities	d	(2,817)	19,486	16,669	(3,529)	20,215	16,686
Provisions		3,220	-	3,220	3,074	-	3,074
Employee benefits	f	(7)	336	329	(10)	287	277
Accruals and deferred income	c	-	3,830	3,830	-	3,784	3,784
		261,215	**23,218**	**284,433**	**262,942**	**23,549**	**286,491**
Total liabilities		**300,764**	**23,218**	**323,982**	**303,054**	**23,692**	**326,746**
Net assets		**122,376**	**(14,751)**	**107,625**	**127,053**	**(12,206)**	**114,847**
Equity							
Capital and reserves							
Issued share capital		-	-	-	-	-	-
Share premium		224,872	-	224,872	224,872	-	224,872
Retained earnings		(102,496)	(14,751)	(117,247)	(97,819)	(12,206)	(110,025)
Total equity attributable to equity holders of the parent		**122,376**	**(14,751)**	**107,625**	**127,053**	**(12,206)**	**114,847**

5.1 Reconciliation of equity *continued*

The total effect on retained earnings is further analysed as follows:

	Note	1 April 2014 £000	31 March 2015 £000
Net adjustments to goodwill / intangible assets / property, plant and equipment	a, b	8,467	11,486
Net adjustments for leases	c	(3,830)	(3,836)
Net adjustment in deferred tax liability	d	(19,486)	(20,215)
Net adjustments for financial instruments	e	434	646
Net adjustments on employee benefits	f	(336)	(287)
Effect on transition to IFRS on retained earnings		(14,751)	(12,206)

Reconciliation of the statement of profit and loss

The statement of profit and loss for the year ended 31 March 2015 can be reconciled to the amounts reported under previous UK GAAP as follows:

		31 March 2015		
	Note	Previous UK GAAP £000	Effects of transition to IFRS £000	IFRS £000
Continuing operations				
Revenue		203,244	-	203,244
Operating expenses	a, c	(177,259)	2,303	(174,956)
EBITDA		40,112	(283)	39,829
Depreciation of property, plant and equipment	b	(11,135)	402	(10,733)
Profit on disposal of non-current assets		11	-	11
Release of negative goodwill	a	-	4	4
Amortisation of intangible assets	a, b	(3,003)	2,180	(823)
Operating profit		25,985	2,303	28,288
Finance income	f	26	(9)	17
Finance expense	e, f	(23,624)	197	(23,427)
Profit before taxation		2,387	2,491	4,878
Taxation		2,375	(8)	2,367
Profit for the period from continuing operations		4,762	2,483	7,245
Profit attributable to equity holders of the parent		4,762	2,483	7,245

a. *Goodwill and business combinations*

Before 1 April 2014

The group has elected not to restate business combinations that occurred before the date of transition to IFRS. At 1 April 2014, the goodwill under previous UK GAAP relates to registered and supported living segments. Its carrying amount of goodwill has not been adjusted for intangible assets included within goodwill or for intangible assets that do not qualify for recognition under IFRS. At that date it was tested for impairment based on the cash flow forecast made. No impairment was identified.

The acquisition of Care West and ILG in February 2004 and March 2013, respectively, resulted in the consideration being lower than the fair value of net assets, the negative goodwill generated has been recognised in the statement of profit and loss on the transition date. Therefore the carrying amount of goodwill under previous UK GAAP has been amended upon transition to IFRS.

After 1 April 2014

Although there are significant differences in accounting for business combinations under previous UK GAAP and IFRS 3, the only differences relevant to the acquisition of Primary Care UK acquired June 2014, Skills for Living acquired August 2014 and Redcliffe acquired March 2015 relates to the treatment of acquisition costs and the reclassification of certain goodwill to intangible assets. Under previous UK GAAP, acquisition costs form part of goodwill but are expensed under IFRS 3.

Amortisation of goodwill

Goodwill is not amortised under IFRS. The amortisation charged in the 12 month period to 31 March 2015 under previous UK GAAP is reversed, increasing the carrying value of goodwill and increasing profit for the period.

5.1 Reconciliation of equity *continued*

a. *Goodwill and business combinations continued*

Net transition adjustments
The transition adjustments to goodwill are:

	1 April 2014 £000	31 March 2015 £000
Reversal of negative goodwill	8,467	8,471
Reversal of acquisition costs	-	(277)
Reversal of negative goodwill amortisation	-	(401)
Reversal of goodwill amortisation	-	3,404
Goodwill on business combinations	-	710
Reclassification of goodwill on business combinations	-	(3,552)
Goodwill	8,467	8,355
Intangible assets on business acquisitions under IFRS	-	3,552
Amortisation on intangible assets	-	(421)
Reclassification of software costs from property, plant and equipment	732	611
Intangible assets	732	3,742

b. *Property, plant and equipment*

Software costs
Software costs previously capitalised under UK GAAP are now stated within intangible assets and amortised on a straight line basis over their estimated useful economic lives.

Assets classified as held for sale
Property, plant and equipment held for sale rather than for continuing operational use are now shown within assets classified as held for sale. Once classified as held for sale the assets are no longer depreciated.

Net transition adjustments	1 April 2014 £000	31 March 2015 £000
Reclassification of software costs to intangible assets	(732)	(611)
Assets classified as held for sale	(925)	(1,102)
	(1,657)	(1,713)

c. *Leases*

The operating leases previously reported under UK GAAP are in accordance with the classification of operating leases under IFRS therefore there has been no reclassification of leases. The operating leases have been reviewed and have been expensed on a straight line basis over the term of the lease. Operating leases are stated within current and non-current accruals.

Net transition adjustments	1 April 2014 £000	31 March 2015 £000
Rent free period	(34)	(74)
Rental increase straight line over the term of the lease	(3,796)	(3,762)
	(3,830)	(3,836)

d. *Deferred tax assets / (liabilities)*

The following table shows the effect of transition adjustments on deferred tax assets / (liabilities) and the movement of deferred tax recognised in the statement of profit and loss and other comprehensive income.

Net transition adjustments	1 April 2014 £000	31 March 2015 £000
Intangible assets	-	(626)
Revaluation	(22,823)	(22,880)
Leases	649	652
Other	2,688	2,639
	(19,486)	(20,215)

The deferred tax assets previously recognised within current assets have been off set against the deferred tax liability generated on transition.

e. *Borrowing costs*

Borrowing costs previously reported under UK GAAP are in accordance with the standards under IFRS but are now amortised using the effective rate of interest method.

	1 April 2014 £000	31 March 2015 £000
Borrowing costs	434	737
Unwinding of deferred consideration	-	(91)
	434	646

At the date of transition the contingent consideration and deferred consideration previously stated within accruals and deferred income under UK GAAP is now stated within other financial liabilities.

f. *Employee benefits*

At the date of transition the group has elected to apply the exemption in IFRS 1, and recognise all actuarial gains and losses in the statement of financial position. The group has recognised an additional liability because of a 'minimum funding requirement' in respect of an existing funding shortfall. The interest cost on the defined benefit obligation and interest income on plan assets is now recognised 'net' in the statement of profit and loss.

	1 April 2014 £000	31 March 2015 £000
Recognition of actuarial gain and losses	(336)	(287)
	(336)	(287)

6 Operating segments

Information reported to senior management for the purposes of resource allocation and assessment of performance of each segment focuses on the type of care services provided by the group. The Voyage Care Group operates solely within the UK therefore no geographical segment reporting has been disclosed. The primary business segments stated below are based on the group's management and internal reporting structure.

- Registered: supporting individuals in our specially adapted homes; and
- Supporting living: supporting individuals in their own home promoting independence.

Other income and expenditure relates to those items not directly attributable to an operating segment.

The reported segmental information represents income and expenditure generated from external customers and external suppliers only. There were no inter-segment transactions reported during the current year (2015: £Nil).

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 3. Segment profits represents EBITDA earned by each segment without allocation of non underlying items as well as finance costs which is in conjunction with the information reported to senior management.

	Segment results				
For the year ended 31 March 2016	**Registered**	**Supported Living**	**Total**	**Other**	**Group**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue	153,702	47,593	**201,295**	2,619	**203,914**
Unit EBITDA	45,759	11,127	**56,886**	432	**57,318**
EBITDA (before non-underlying items)	**33,679**	**7,387**	**41,066**	**226**	**41,292**
Non-underlying items					(4,538)
EBITDA (after non-underlying items)					**36,754**
Depreciation of property, plant and equipment					(10,843)
Profit on disposal of non-current assets					298
Release of negative goodwill					46
Impairment of goodwill					(8,556)
Amortisation of intangible assets					(1,012)
Net finance expense					(24,135)
Taxation					2,572
Loss for the period					**(4,876)**

	Segment results				
For the year ended 31 March 2015	**Registered**	**Supported Living**	**Total**	**Other**	**Group**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue	154,996	45,564	**200,560**	2,422	**202,982**
Unit EBITDA	47,045	11,986	**59,031**	122	**59,153**
EBITDA (before non-underlying items)	**35,345**	**8,547**	**43,892**	**(61)**	**43,831**
Non-underlying items					(4,002)
EBITDA (after non-underlying items)					**39,829**
Depreciation of property, plant and equipment					(10,733)
Profit on disposal of non-current assets					11
Release of negative goodwill					4
Amortisation of intangible assets					(823)
Net finance expense					(23,410)
Taxation					2,367
Profit for the period					**7,245**

7 Non-underlying items

The group separately identifies and discloses certain items, referred to as non-underlying items, by virtue of size, nature and occurrence. This is consistent with the way that financial performance is measured by senior management and assists in providing a meaningful analysis of operating results by excluding items that may not be part of the ordinary activity of the business.

The following table details the non-underlying items that have been incurred in the reporting periods:

		2016 £000	2015 £000
Continuing operations			
Non-underlying items:	**Note**		
Restructuring costs	a	123	109
Acquisition and integration costs	b	198	633
Negative goodwill	c	(46)	(4)
Consultancy fees	d	518	1,033
Impairment of property as held for sale	e	1,199	2,617
Impairment of goodwill	f	8,556	-
Sale of Voyage Holdings	g	-	2,227
Day Care costs	h	3,714	-
Surrender of onerous leases	i	(15)	-
		14,247	6,615

The key elements of the expenditure for both periods are set out below:

(a) *Restructuring costs*
For the year ended 31 March 2016 the group incurred costs with regards to simplifying the group structure, as a result £123,000 professional fees were incurred. For the year ended 31 March 2015 the group initiated the first steps to restructure the group, as a result £109,000 professional fees were incurred.

(b) *Acquisition and integration costs*
For the year ended 31 March 2016 and 31 March 2015, the group incurred costs in relation to a number of acquisitions. In accordance with IFRS 3 such costs cannot be included in the business combination and therefore cannot be capitalised. The total acquisition and integration costs amounted to £198,000 for the year ended 31 March 2016 and £633,000 for the year ended 31 March 2015. Included within acquisition and integration costs for the year ended 31 March 2015 are credits of £262,000 in relation to accounts receivable balances being written back in connection with an acquired company.

(c) *Negative goodwill*
The acquisition of the Redcliffe group resulted in negative goodwill due to the consideration being lower than the fair value of net assets, in accordance with IFRS 3 negative goodwill has been recognised in the statement of profit and loss (see note 35).

(d) *Consultancy fees*
For the year ended 31 March 2016, the group incurred costs in relation to professional advice and as a result £518,000 consultancy fees were incurred (2015: £1,033,000).

(e) *Impairment of property as held for sale*
During the year ended 31 March 2016, the group classed certain property, plant and equipment as held for sale and as a result an impairment of £1,199,000 was incurred (2015: £2,617,000).

(f) Impairment of goodwill
For the year ended 31 March 2016, a goodwill impairment charge of £8,556,000 occurred due to the carrying amount of assets exceeding its recoverable amount (2015: £Nil) (see note 16).

(g) *Sale of Voyage Holdings*
During the year ended 31 March 2015 the group incurred fees of £2,227,000 in relation with the Noteholder and RCF provider consent solicitation as a result of the sale of Voyage Holdings Limited (2016: £Nil).

(h) *Day Care costs*
For the year ended 31 March 2016 the group incurred a one off cost in relation to its Day Care business and as a result £3,714,000 was charged to the statement of profit and loss (2015: £Nil).

(i) Surrender of onerous leases
During the year ended 31 March 2016 the group surrendered certain onerous leases and as a result £15,000 was released (2015: £Nil).

8 Staff numbers

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

	Number of employees 2016	2015
Administration	290	257
Care staff	8,194	8,160
	8,484	8,417

9 Directors' emoluments

Emoluments paid to the directors in respect of their services to the company and other member companies of the group:

	2016 £000	2015 £000
Emoluments	615	3,191
Compensation on loss of office	-	381
Pension contributions	67	296
	682	3,868

Emoluments and pension contributions for the year ended 31 March 2015 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 £348,000 (2015: £2,943,000 including compensation on loss of office of £381,000) and pension contributions of £28,000 (2015: £200,000) were made to a money purchase scheme on his behalf.

Emoluments and pension contributions of the highest paid director for the year ended 31 March 2015 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 (2015: three directors).

10 Auditor's remuneration

	2016 £000	2015 £000
Audit of the group financial statements	10	5
Audit of financial statements of subsidiaries	116	110
Audit related fees	126	115
Taxation compliance services	103	119
Other tax advisory services	132	15
Other assurance services	2	-
Corporate finance services	-	62
Other services	14	15
Non-audit fees	251	211
Total audit and non-audit fees	377	326

11 Operating profit before taxation

Operating profit before taxation is stated after charging:

	2016 £000	2015 £000
Continuing operations		
Direct expenses and consumables	7,860	7,957
Staff costs:		
Wages and salaries	118,554	116,543
Social security costs	7,749	7,910
Other pension costs	940	825
Operating lease rentals:		
Other lease rentals	3,325	3,562
Plant and machinery	1,868	2,499
Depreciation	9,644	8,116
Impairment of property, plant and equipment	1,199	2,617
Impairment of goodwill	8,556	-
Profit on disposal of non-current assets	(298)	(11)
Release of negative goodwill	(46)	(4)
Amortisation of intangible assets	1,012	823
Other external charges	26,864	24,119
	187,227	174,956

12 Finance income

	2016 £000	2015 £000
Continuing operations		
Bank interest receivable	97	17

13 Finance expense

	2016 £000	2015 £000
Continuing operations		
Bank interest including RCF non-utilisation fees	694	718
Loan notes interest	22,395	22,413
Unwinding of discount on onerous lease provision and consideration	804	143
Other finance costs	339	153
	24,232	23,427

Loan notes interest comprises loan notes interest of £19,930,000 (2015: £19,930,000) and amortisation of issue costs and original issue discount of £2,465,000 (2015: £2,483,000).

14 Taxation

Recognised in the statement of profit and loss	2016 £000	2015 £000
Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the period	-	49
Adjustments in respect of previous periods	(57)	(1,712)
	(57)	(1,663)
Deferred tax:		
Origination and reversal of timing differences	171	14
Effect of tax rate change on opening balance	(1,755)	-
Adjustments in respect of prior periods	(931)	(718)
	(2,515)	(704)
Tax on (loss) / profit on ordinary activities	(2,572)	(2,367)

Recognised directly in other comprehensive income	2016 £000	2015 £000
Current tax recognised directly in other comprehensive income	-	-
Deferred tax recognised directly in other comprehensive income	(18)	(11)
	(18)	(11)

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:

	2016 £000	2015 £000
(Loss) / profit on ordinary activities before taxation	(7,448)	4,878
Current tax at 20% (2015: 21%)	(1,490)	1,024
Effects of:		
Expenses not deductible for tax purposes	2,929	804
Depreciation for year in excess of / (lower than) capital allowances	838	55
Adjustments to brought forward values	(611)	(455)
Losses eliminated	1,426	-
Depreciation on ineligible assets	-	5
Group relief received at no cost	(2,495)	(698)
Adjustments to tax charge in respect of previous periods	(57)	(1,712)
Adjustments in respect of prior periods (deferred tax)	(931)	(718)
Timing differences not recognised on the computation	126	14
Adjust closing deferred tax to average rate	(1,273)	-
Deferred tax not recognised	(1,034)	(686)
Total current tax credit (see above)	(2,572)	(2,367)

Factors that may affect future 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. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the group's future current tax charge accordingly.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the group's future current tax charge accordingly.

15 Property, plant and equipment

	Freehold land and buildings	Fixtures, fittings and equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 April 2014	391,553	54,201	1,649	447,403
Acquisitions	2,602	63	7	2,672
Additions	2,984	7,675	1,938	12,597
Assets classified as held for sale	(1,405)	-	-	(1,405)
Disposals	(6,527)	(1,051)	(174)	(7,752)
At 31 March 2015	389,207	60,888	3,420	453,515
At 1 April 2015	389,207	60,888	3,420	453,515
Additions	2,962	7,721	3,338	14,021
Assets classified as held for sale	(7,379)	-	-	(7,379)
Disposals	(1,149)	(1,449)	(447)	(3,045)
At 31 March 2016	383,641	67,160	6,311	457,112
Depreciation and impairment				
At 1 April 2014	49,398	35,194	1,477	86,069
Charge for the year	1,676	6,139	301	8,116
Impairment	2,617	-	-	2,617
Assets classified as held for sale	(1,228)	-	-	(1,228)
Depreciation on disposals	(5,318)	(1,009)	(154)	(6,481)
At 31 March 2015	47,145	40,324	1,624	89,093
At 1 April 2015	47,145	40,324	1,624	89,093
Charge for the year	1,900	6,795	949	9,644
Impairment	1,199	-	-	1,199
Assets classified as held for sale	(6,046)	-	-	(6,046)
Depreciation on disposals	(533)	(1,358)	(346)	(2,237)
At 31 March 2016	43,665	45,761	2,227	91,653
Net book value				
At 31 March 2016	339,976	21,399	4,084	365,459
At 31 March 2015 and 1 April 2015	342,062	20,564	1,796	364,422
At 1 April 2014	342,155	19,007	172	361,334

The impairment charge in 2016 relates to three freehold properties (2015: seven), of which, three (2015: 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 £71,384,000 (2015: £73,062,000) which is not depreciated and costs of £1,529,000 (2015: £3,246,000) 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.

16 Goodwill

	Goodwill
	£000
Cost	
At 1 April 2014	39,785
Acquisitions	1,541
At 31 March 2015	41,326
At 1 April 2015	41,326
Impairment charge	(8,556)
At 31 March 2016	32,770

The group review goodwill for impairment on an annual basis or more frequently if there are indications that goodwill might be impaired.

A goodwill impairment charge of £8,556,000 occurred during the year ended 31 March 2016 (2015: £Nil).

Impairment testing
Goodwill acquired in a business combination is allocated to cash generating units (CGUs) that are expected to benefit from that business combination.

16 Goodwill *continued*

Impairment testing (continued)

Goodwill has been allocated to two identifiable CGUs, Registered services and Supported Living services, which align to the reported operating segments. The CGUs to which goodwill is allocated are presented below:

	Goodwill 2016 £000	2015 £000
Registered	16,244	24,800
Supported Living	16,526	16,526
	32,770	41,326

The recoverable amount was determined by the greater of net realisable value and value in use. In assessing value in use, the expected future cash flows were discounted to their present value using a pre-tax discount rate of 8.17% that reflects current market assessments of the rate of return expected on an equally risky investment.

Key assumptions for the value in use calculations are those regarding level of occupancy, weekly fees, volume of chargeable hours, costs, discount rates, growth rates and period on which forecasts are based. The cash flow projections were based on financial budgets approved by the board of directors for the forthcoming year and forecasts for up to five years which are based on assumptions of the business, industry and economic growth. A terminal value is placed on the value of the annual cash flows in year five.

Registered CGU

The recoverable amount of this CGU was based on value in use using the assumptions stated above and a terminal growth rate of 2.00%. The carrying amount of the CGU was determined to be higher than its recoverable amount of £340.6 million and an impairment charge of £8.6 million (2015: £Nil) was recognised. The impairment charge was fully allocated against goodwill.

Supported Living CGU

The recoverable amount of this CGU was based on value in use using the assumptions stated above and a terminal growth rate of 4.00%. The recoverable amount of £155.4 million exceeded its carrying amount by approximately £119.3 million. The pre-tax discount rate would need to increase by 14.2 percentage points for the estimated recoverable amount to be equal to the carrying value.

Management are confident that the assumptions used for assessing goodwill are appropriate at the time of the review but acknowledge it is possible circumstances may change.

17 Intangible assets

	Software costs £000	Customer relationships £000	Non-compete agreements £000	Brands £000	Total £000
Cost					
At 1 April 2014	1,162	-	-	-	1,162
Acquisitions	-	3,062	463	27	3,552
Additions	281	-	-	-	281
Disposals	(15)	-	-	-	(15)
At 31 March 2015	1,428	3,062	463	27	4,980
At 1 April 2015	1,428	3,062	463	27	4,980
Additions	111	-	-	-	111
Disposals	(275)	-	-	-	(275)
At 31 March 2016	1,264	3,062	463	27	4,816
Amortisation					
At 1 April 2014	430	-	-	-	430
Provided during the year	402	303	100	18	823
On disposals	(15)	-	-	-	(15)
At 31 March 2015	817	303	100	18	1,238
At 1 April 2015	817	303	100	18	1,238
Provided during the year	380	468	155	9	1,012
On disposals	(275)	-	-	-	(275)
At 31 March 2016	922	771	255	27	1,975
Net book value					
At 31 March 2016	342	2,291	208	-	2,841
At 31 March 2015 and 1 April 2015	611	2,759	363	9	3,742
At 1 April 2014	732	-	-	-	732

Intangible assets arose as a result of a number of acquisitions and have been calculated on the basis of multiple excess earnings, estimated avoided loss of profits and relief royalty. The amortisation charge is recognised in the statement of profit and loss.

18 Investments

Company	**Investments in subsidiary undertakings £000**
At beginning of year	163,309
Impairment charge	(17,729)
At end of year	145,580

The recoverable amount of the group was based on value in use using the assumptions stated in note 16. The carrying amount of the company was determined to be higher than the group's recoverable amount of £496.5 million and an impairment charge of £17.7 million (2015: £Nil) was recognised. The impairment charge was fully allocated against investments.

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 Limited *	Community care	England	Ordinary	100
Voyage Specialist Healthcare Limited *	Community care	England	Ordinary	100
Voyage Care BondCo PLC *	Investment company	England	Ordinary	100
Solor Care (South West) Limited *	Community care	England	Ordinary	100
Solor Care London 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 Limited *	Community care	England	Ordinary	100
Solor Care South East 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
Evesleigh (East Sussex) Limited *	Community care	England	Ordinary	100
Evesleigh Care Homes 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

19 Trade and other receivables

	2016 Group £000	2016 Company £000	2015 Group £000	2015 Company £000
Trade receivables	15,303	-	14,286	-
Impairment of receivables	(2,672)	-	(1,129)	-
Trade receivables (net)	12,631	-	13,157	-
Other receivables	1,759	-	939	-
Intercompany receivables	582	350,894	398	326,257
	14,972	350,894	14,494	326,257

Intercompany receivables have no fixed repayment date, but are classified as short term loans.

Credit risk exposures in relation to customers is limited given that the majority of the group's turnover is attributable to publicly funded local purchasers. The group has no significant concentrations of credit risk, with the exposure spread over a large number of Local Authorities and PCTs.

The group has recognised a provision for impaired receivables by considering receivables with a balance due over 90 days.

The group has £1,713,000 (2015: £1,964,000) trade receivables that are past due but not impaired. This balance is deemed recoverable as it primarily relates to publically funded local purchasers as mentioned above for whom the group have strong relations and there is no history of default.

The ageing analysis of these receivables is as follows:

	2016 £000	2015 £000
Between 91 - 120 days	723	869
Between 121 - 150 days	448	374
Greater than 150 days	542	721
	1,713	1,964

Movement in the provision for impaired receivables:

	2016 £000	2015 £000
At 1 April	(1,129)	(725)
Movement in provision for impaired receivables	(1,543)	(404)
At 31 March	(2,672)	(1,129)

20 Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash in hand	17,506	15,303
Cash held on behalf of clients	189	166
	17,695	15,469

Cash and cash equivalents includes cash held on behalf of clients. All interest earned on these funds is returned back to the client and are not included in the statement of profit and loss. An equivalent liability of £189,000 exists for this amount and is included in note 23.

21 Non-current assets classified as held for sale

Management have committed to a plan to sell a number of properties through a sale transaction rather than through continuing operational use. Accordingly, the properties are being presented as assets held for sale. Efforts to sell the non-current assets have started and a sale is expected to be completed within one year from the date of classification.

As at 31 March 2016, the assets classified as held for sale are £2,435,000 (2015: £1,102,000).

22 Loans and borrowings

	2016 £000	2015 £000
Obligations under finance lease and hire purchase contracts	27	35
Loan notes	265,135	262,670
Bank loans	-	5,000
	265,162	267,705

Loan notes include unamortised issue costs and original issue discount of £6,865,000 (2015: £9,330,000).

As at 31 March 2016 there was accrued interest of £3,312,000 (2015: £3,312,000) included within accruals disclosed within current liabilities in the statement of financial position but excluded from this note.

Total debt can be analysed as falling due:

	2016 £000	2015 £000
In one year or less	27	5,035
Between one and five years	265,135	262,670
	265,162	267,705

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 £37.5 million Revolving Credit Facility. The notes are listed on the Luxembourg Stock Exchange.

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

Debt instrument	Currency	Loan balance £000	Interest rate	Repayment terms
Senior Secured Loan Notes	GBP	222,000	6.50%	Aug-18
Second Lien Notes	GBP	50,000	11.00%	Feb-19
Revolving Credit Facility				
Utilised	GBP	-	LIBOR +4.00%	Feb-18
Non utilised	GBP	37,500	1.6%	Feb-18

23 Trade and other payables

	2016		2015	
	Group £000	Company £000	Group £000	Company £000
Trade payables	6,255	-	3,725	-
Other taxes and social security costs	2,233	-	2,241	-
Other payables	11,613	-	10,963	-
Amounts due from related parties	2,027	456,642	1,865	424,478
Client money payable (see note 20)	189	-	166	-
	22,317	456,642	18,960	424,478

Amounts due from related parties have no fixed repayment date, but are classified as short term loans.

The group has policies in place to ensure all payables are paid within the agreed credit terms.

24 Deferred tax assets and liabilities

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (2015: 20%).

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Property, plant and equipment	-	-	(20,116)	(22,880)	(20,116)	(22,880)
Intangible assets	-	-	(450)	(626)	(450)	(626)
Employee benefits	37	55	-	-	37	55
Un-utilised losses	2,172	2,708	-	-	2,172	2,708
Other	4,168	4,057	-	-	4,168	4,057
Deferred tax assets / (liabilities)	6,377	6,820	(20,566)	(23,506)	(14,189)	(16,686)
Offset of tax	(6,377)	(6,820)	6,377	6,820	-	-
Net deferred tax assets / (liabilities)	-	-	(14,189)	(16,686)	(14,189)	(16,686)

Movements in deferred tax during the year:

		Recognised in:			
	At 1 April 2015 £000	Profit and loss £000	Changes in OCI £000	Acquisition of subsidiaries £000	At 31 March 2016 £000
Property, plant and equipment	(22,880)	2,764	-	-	(20,116)
Intangible assets	(626)	176	-	-	(450)
Employee benefits	55	-	(18)	-	37
Un-utilised losses	2,708	(536)	-	-	2,172
Other	4,057	111	-	-	4,168
Deferred tax liabilities	(16,686)	2,515	(18)	-	(14,189)

Movements in deferred tax during the prior year:

		Recognised in:			
	At 1 April 2014 £000	Profit and loss £000	Changes in OCI £000	Acquisition of subsidiaries £000	At 31 March 2015 £000
Property, plant and equipment	(22,823)	(57)	-	-	(22,880)
Intangible assets	-	84	-	(710)	(626)
Employee benefits	66	-	(11)	-	55
Un-utilised losses	2,708	-	-	-	2,708
Other	3,380	677	-	-	4,057
Deferred tax liabilities	(16,669)	704	(11)	(710)	(16,686)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where management believe it is probable that these assets will be recovered.

25 Provisions

Group	**2016 £000**	**2015 £000**
Current	286	320
Non-current	2,833	3,074
Onerous leases and dilapidations	3,119	3,394

The movement in provisions were:	**Onerous leases and dilapidations £000**
At 1 April 2015	3,394
Provisions used during the year	(977)
Unwinding of discounted amount	702
At 31 March 2016	3,119

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

26 Share capital

Group and company	**2016 £000**	**2015 £000**
Allotted, called up and fully paid:		
3 ordinary shares of £1.00 each (2015: 3 ordinary shares of £1.00 each)	-	-
	-	-

The ordinary shares entitle the holders to vote at general meetings of the company, and to receive by way of dividend any profits of the Company available for distribution. On winding up of the Company the balance of assets, subject to special rights attached to any other class of shares, will be distributed among the ordinary shareholders.

27 Share premium

Group and company	**2016 £000**	**2015 £000**
At beginning of year	224,872	224,872
Movement in the financial year	-	-
At end of year	224,872	224,872

28 Profit and loss account

Group	**2016 £000**	**2015 £000**
At beginning of year	(110,025)	(117,247)
(Loss) / profit for the financial year	(4,876)	7,245
Other comprehensive income	(20)	(23)
At end of year	(114,921)	(110,025)

28 Profit and loss account *continued*

Company	**2016 £000**	**2015 £000**
At beginning of year	(159,784)	(153,578)
Loss for the financial year	(25,256)	(6,206)
At end of year	(185,040)	(159,784)

29 Reconciliation of movement in shareholders' funds

Group	**2016 £000**	**2015 £000**
Opening shareholders' funds	114,847	107,625
(Loss) / profit for the financial year	(4,876)	7,245
Other comprehensive income	(20)	(23)
Closing shareholders' funds	109,951	114,847

Company	**2016 £000**	**2015 £000**
Opening shareholders' funds	65,088	71,294
Loss for the financial year	(25,256)	(6,206)
Closing shareholders' funds	39,832	65,088

30 Financial instruments

The fair values of all assets and liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount				**Fair value**
	Non-current liabilities	**Current liabilities**			
	Loans and borrowings	**Loans and borrowings**	**Other financial liabilities**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
For the year ended 31 March 2016					
Financial liabilities measured at fair value					
Contingent consideration	-	-	220	220	220
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	216,885	-	-	216,885	219,365
Second Lien Loan Notes	48,250	-	-	48,250	50,282
	265,135	-	220	265,355	269,867
For the year ended 31 March 2015					
Financial liabilities measured at fair value					
Contingent consideration	-	-	220	220	220
Deferred consideration	-	-	798	798	798
Revolving Credit Facility	-	5,000	-	5,000	5,000
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	214,927	-	-	214,927	231,435
Second Lien Loan Notes	47,743	-	-	47,743	52,915
	262,670	5,000	1,018	268,688	290,368

Loan notes include unamortised issue costs and original issue discount of £6,865,000 (2015: £9,330,000).

31 Financial risk management

Voyage Care's activities and debt financing expose it to a variety of financial risks, the most significant of which are interest rate risk, price risk, credit risk and liquidity risk. Voyage Care's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Voyage Care's financial performance. Further detail is provided below:

Interest rate risk
The Voyage Care Group has issued £222 million of 6.5% Senior Secured Notes due August 2018 and £50 million of 11% Second Lien Notes due February 2019. These Notes are fixed interest rate instruments and as such are not exposed to fluctuations in interest rates. A significant change in interest rates could have a material adverse impact on the fair value of the group's borrowings. However, the company records these Notes at the amortised cost and therefore the company's future performance would not be impacted by any future rate changes.

In addition the group is party to a £37.5 million Revolving Credit Facility (RCF) which expires February 2018. The RCF bears interest on non-utilised balances at a fixed rate and bears interest on utilised balances at LIBOR plus 4%. The group has £Nil drawn under the RCF and therefore cash flows are not affected in a material way by changes in market rates.

Significant changes in interest rates may possibly impact the cost and terms of future refinancing when the existing Notes and loans expire.

In order to maximise interest receivable surplus cash is deposited on a daily basis in a high interest variable account which is linked to LIBOR.

Price risk
The Voyage Care Group is not exposed to commodity price risk but as a provider of services is subject to both general and industry specific wage pressures, including legislative changes concerning the national living and national minimum wage level.

Contracts with Local Authorities and PCTs account for almost our entire turnover. There is a risk that budget constraints, public spending cuts and other financial pressures could cause such publicly funded purchasers to spend less money on the type of service that we provide. We continue to diligently monitor any impact for the group in our negotiations with publicly funded purchasers.

Credit risk
Credit risk arises from cash and cash equivalents and trade receivables. Credit exposures in relation to customers is fairly low given that the majority of our turnover is attributable to publicly funded purchasers. Voyage Care has no significant concentrations of credit risk, with the exposure spread over a large number of Local Authorities and PCTs.

Liquidity risk
Voyage Care's operational cash flow is largely stable and predictable given the contractual and recurring nature of the core business activity. Voyage Care manages its exposure to liquidity risk by preparing annual and shorter term cash flow forecasts reflecting known commitments and anticipated projects.

Borrowing facilities are arranged as necessary to finance projected requirements, including capital expenditure and acquisitions. Adequate headroom is maintained for general corporate purposes including working capital.

The group's RCF is subject to covenants which if breached may be cured with cash proceeds of a new investment. At the period end the group was not in breach of any financial covenants.

The Notes and RCF in place will require refinancing in line with the dates set out in the interest risk section of this report. The board consider this as part of their regular meetings.

32 Commitments

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

	2016		2015	
	Land and buildings	Other assets	Land and buildings	Other assets
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	2,839	1,139	2,535	1,741
Between two and five years	9,011	769	9,078	1,889
Five years	23,963	-	26,230	-
	35,813	1,908	37,843	3,630

During the year £5,193,000 was recognised as an expense in the statement of profit and loss in respect of operating leases (2015: £6,061,000).

33 Primary Care acquisition

On 27 June 2014, the group acquired 100% of the ordinary shares in Primary Care (UK) Limited. The principal activities of the company is to provide similar care services to that of the Voyage Care Group with the aim to further increase Voyage's presence in the market place.

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
Property, plant and equipment	42	-	42
Intangible assets	-	831	831
Receivables	136	-	136
Cash in hand, Bank	908	-	908
Deferred tax	-	(166)	(166)
Payables	(141)	-	(141)
	945	665	1,610
Goodwill			216
			1,826
Satisfied by:			
Cash			1,606
Contingent consideration			220
Total costs of acquisition			1,826

Contingent consideration of £220,400 was paid on 15 June 2016 due to the business retaining certain contracts.

Acquisition costs previously capitalised under UK GAAP have been expensed under IFRS 3 as non-underlying, as a result £78,000 was expensed in the 12 month period ended 31 March 2015.

34 Skills for Living acquisition

On 20 August 2014, the group acquired 100% of the ordinary shares in Skills for Living (Leicestershire) Limited. The principal activities of the company is to provide similar care services to that of the Voyage Care Group with the aim to further increase Voyage's presence in the market place.

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
Property, plant and equipment	446	871	1,317
Intangible assets	-	2,721	2,721
Receivables	328	-	328
Cash in hand, Bank	764	-	764
Deferred tax	-	(544)	(544)
Payables	(564)	-	(564)
	974	3,048	4,022
Goodwill			1,325
			5,347
Satisfied by:			
Cash			5,347
Total costs of acquisition			5,347

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

Acquisition costs previously capitalised under UK GAAP have been expensed under IFRS 3 as non-underlying, as a result £144,000 was expensed in the 12 month period ended 31 March 2015.

35 Redcliffe acquisition

On 11 March 2015, the group acquired 100% of the ordinary shares in Redcliffe House Limited and all of its subsidiaries. The principal activities of the company and all of its subsidiaries are to provide similar services to that of the Voyage Care Group with the aim to further increase Voyage's presence in the market place.

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
Property, plant and equipment	713	600	1,313
Receivables	195	-	195
Cash in hand, Bank	51	-	51
Payables	(135)	-	(135)
	824	600	1,424
Bargain purchase			(50)
			1,374
Satisfied by:			
Cash			1,374
Total costs of acquisition			1,374

The fair value adjustments bring the property, plant and equipment in line with their fair value as at the acquisition date.

Acquisition costs previously capitalised under UK GAAP have been expensed under IFRS 3 as non-underlying, as a result £38,000 was expensed in the 12 month period ended 31 March 2015.

Under IFRS 3 a bargain purchase is released to the statement of profit and loss. As a result £46,000 was released during the 12 month period ended 31 March 2016 and £4,000 was released during the 12 month period ended 31 March 2015, in total £50,000 was released to the statement of profit and loss over the two years.

During the 12 month period ended 31 March 2016 a further £33,000 acquisition costs were incurred and have been expensed. In addition £46,000 has been offset against the consideration as funds have been returned from the escrow account.

36 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 and a Local Government Scheme for certain employees, whereby the group is required to make contributions into these schemes at a percentage, as notified by the NHS pension scheme administrator and Local Government Scheme administrator, of the relevant employees' salary. The assets of these pension schemes are managed independently of the group. Employer contribution rates are 14.3% and 17.1% of pensionable salaries respectively.

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 discount factor would be 3.4% per annum compound and the real rate of investment over salary growth would be 4.0% 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 2016 was £1,016,000 (2015: £825,000). An amount of £161,000 (2015: £150,000) is included in accruals which represents the excess accumulated pension cost over the payment of contributions to the various schemes.

IAS 19 valuation

The pension valuation at 1 April 2014 has been updated by the actuary on a IAS 19 basis as at 31 March 2016. The major assumptions used in this valuation were:

	2016 %	**2015 %**
Rate of increase in salaries	4.0	4.1
Rate of increase in pensions in payment	3.0	3.0
Discount rate	3.4	3.3
Inflation assumption	3.0	3.1

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 / (liabilities)

The fair value of the scheme's assets / (liabilities), 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 2016 £000	**Value at 31 March 2015 £000**
Fair value of plan assets		
Fair value of plan assets	1,133	1,069
Present value of scheme liabilities	(982)	(1,011)
Net defined benefit asset	151	58
Effect of asset ceiling / minimum funding requirement	(362)	(335)
Net recognised defined benefit liability	**(211)**	**(277)**

36 Pension schemes *continued*

Movements in present value of defined benefit obligation:

	2016 £000	2015 £000
At 1 April	1,011	818
Current service cost	9	8
Interest cost	33	36
Actuarial (gains) / losses	(71)	266
Contributions by members	-	-
Benefits paid	-	(117)
At 31 March	982	1,011

Movements in fair value of plan assets:	2016 £000	2015 £000
At 1 April	1,069	1,000
Expected return on plan assets	36	46
Actuarial (losses) / gains	(57)	55
Contributions:		
By employer	85	85
By members	-	-
Benefits paid	-	(117)
At 31 March	1,133	1,069

Analysis of other pension costs charged in arriving at operating profit:	2016 £000	2015 £000
Current service cost	9	8
	9	8

Actual return on assets in the year was £21,000 (2015: £101,000).

History of plans

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

Statement of Financial Position	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Present value of scheme liabilities	(982)	(1,011)	(818)	(846)	(815)
Fair value of scheme assets	1,133	1,069	1,000	853	1,117
Surplus / (deficit)	151	58	182	7	302

The company expects to contribute approximately £77,000 (2015: £84,000) to its defined benefit plans in the next financial year.

37 Related party transactions

As permitted by IAS 24 "Related party disclosures", the company has taken advantage of the exemption for wholly owned subsidiaries not to disclose related party transactions with group entities.

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

- Consultancy fees of £300,000 (£225,000 accrued and £75,000 paid) and expenses of £4,500 were paid to Duke Street LLP.
- Consultancy fees of £300,000 were accrued and expenses of £Nil were paid to Partners Group AG.

38 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.

39 Controlling party

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

The company's ultimate parent undertaking is Voyage Care HoldCo Limited (formerly Viking HoldCo Limited) which is registered in England and Wales.

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

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

40 Post balance sheet event

After the 31 March 2016 but before the signing of these financial statements the group reduced its Revolving Credit Facility to £37.5 million from £45 million and the covenants have been reset.