Voyage BidCo Limited

Results for the year ended 31 March 2017

Voyage Care BondCo PLC

£215,000,000 5 ⅞% Senior Secured Notes due 2023

£35,000,000 10% Second Lien Notes due 2023

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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. 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 2017**	**FYE 2016**
Revenue	213.0	203.9
Adjusted EBITDA (before non-underlying items)	38.7	41.3
Operating profit	22.7	16.7
Profit / (loss) for the year	2.1	(4.9)
Cash flow from operating activities *	30.7	33.8
Net Debt:		
Senior Secured Notes	222.0	222.0
Second Lien Notes	50.0	50.0
Revolving credit facility	0.0	0.0
Unamortised original issue discount on Second Lien Notes	(0.2)	(0.4)
Gross Debt	271.8	271.6
Cash at bank and in hand	(21.0)	(17.7)
Restricted cash & deferred consideration	1.4	1.2
Total	252.2	255.2
Net Debt / adjusted EBITDA (before non-underlying items) **	6.52x	6.18x

** 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 2017 vs. FYE 2016

- Revenue increased by 4.5% to £213.0 million largely driven by organic growth in our Community Based Care business, new business wins and fee inflation
- Adjusted EBITDA before non-underlying items decreased by 6.3% to £38.7 million primarily due to increases in staff costs as a result of the impact of National Minimum Wage and National Living Wage
- Quality scores remains high, with 95.7% of services achieving a rating of Good or Outstanding following inspection
- Registered occupancy was 89.8% as at 31 March 2017
- Community Based Care average weekly hours of care and support increased by 9,100 hours to 70,300 hours as at 31 March 2017

Recent developments

- On 8 May 2017, we completed a refinancing transaction and the Gross proceeds were used to redeem in full existing Senior Secured Notes and Second Lien Notes. We issued £215 million of 5 7/8% Senior Secured Notes due 2023 and £35 million of 10% Second Lien Notes due 2023. In addition we committed to a £45 million Revolving Credit Facility
- Council Tax Precept introduced last year can now be levied at 3%, up from 2%, entirely dedicated to social care funding
- Better Care Fund became available in April 2017 designed to better integrate CCGs and social care funded commissioning
- No material impact for the business as a result of Brexit

Other changes

- No other changes

Company Overview

We are a leading provider of Registered Care Homes whether by revenue or placements, with an established presence in Community Based Care services for adults and children with learning disabilities and other related complex and challenging support needs in the UK. We supported 3,030 people as at 31 March 2017, comprising 1,877 through our Registered Care Home Division and a further 1,153 supported through our Community Based Care Division. The majority of people we support have life-long conditions and high acuity needs, which can be considered as either ‘‘profound’’ or ‘‘severe’’ and therefore require on-going care services, either in registered residential or community based care settings, to help them look after themselves.

Approximately 77% of the people we support in our Registered Care Home Division have been in our care for more than five years and some of the people we support have been in our care for more than 20 years. Approximately 36% of the people we support in our Registered Care Home Division are 40 years of age or younger, and 79% are 60 years of age or younger, which contributes to a long average length of stay in those services. Approximately 42% of the people we support in our Community Based Care Division are 40 years of age or younger, and 81% are 60 years of age or younger, which contributes to a long average length of stay in those services. Similarly, the contracts and framework agreements by our Community Based Care Division are typically two to seven years in duration. The non-discretionary nature of these high acuity, long-term conditions, the long average length of stay in our Registered Care Home Division and the multi-year duration of the contracts and framework agreements in our Community Based Care Division provides us with revenue visibility and a degree of resilience to government spending pressures.

Of the care we provide, 95% is paid for by Local Authorities and Clinical Commissioning Groups (CCGs) and, as at 31 March 2017, we generated revenue from over 250 of these publicly-funded purchasers across the UK. Our long-standing relationships with Local Authorities and CCGs are built on our strong reputation for providing quality services to the people we support. We offer care in a range of settings, including both registered residential care homes and care delivered in people’s own homes, allowing us to cater for the needs of people we support and the agencies which commission our care. 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 95.7% 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. In addition, many Local Authorities have adopted a model that provides personal budgets for social care, which allows individuals and their families to choose providers themselves, we believe our good reputation and our high quality standards gives us a key competitive advantage.

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 9,300 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 a considerable amount of care for each person we support. In our Registered Care Home Division we typically provide at least two support staff members for every three individuals. This level of support is reflected in our average weekly fee of £1,594 per person for the year ended 31 March 2017. In our Community Based Care Division we typically provided care and support to 1,153 individuals living in their own homes, delivering approximately 70,300 average weekly hours of care with the provision of support averaging approximately 61 hours per week per person at an average hourly rate of £14.74.

Led by our Chief Operating Officer, our team of 8 regional managing directors (1 retired post year end), 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.

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 and specialist care sectors in which we operate is both highly regulated and fragmented. Our business is aligned into two divisions based on the type of setting in which care is provided, our Registered Care Home Division is where the home is directly registered with the CQC and our Community Based Care Division is where the domiciliary care office (DCA) is registered with the CQC. Our business divisions complement the regulatory and delivery models of our services. Our divisions are as follows:

- ***Registered Care Home***

  We provide care to individuals in our 279 registered care homes as at 31 March 2017. We hold the freehold interest in 237 of our registered care homes and 3 of our registered care homes are held on a long leasehold basis (each with a lease period of over 35 years remaining), collectively representing 88% of our registered care homes by number of beds. At 31 March 2017 we had 2,091 beds in our registered properties, with an average of 7 beds per registered property providing a more personal environment compared to the larger facilities operated by some of our competitors.

- ***Community Based Care***

  We operate from 39 DCAs across the UK, we provide care to people in their own homes, helping them to more independently manage their individual support needs. In some cases, the people we support through our Community Based Care Division live in individual or communal accommodation provided by government agencies or registered social landlords that are registered with the Homes and Communities Agency, and in a portion of these cases we own the underlying freehold interest in the residential buildings and charge rent to the registered social landlord.

Recent developments

Refinancing
On 8 May 2017, we completed a refinancing transaction and the gross proceeds were used to redeem in full existing Senior Secured Notes and Second Lien Notes. We have issued £215 million of 5 7/8% Senior Secured Notes due 2023 and £35 million of 10% Second Lien Notes due 2023. In addition we have committed to a £45 million Revolving Credit Facility. The notes are listed on the Channel Islands Stock Exchange.

Trading outlook
The National Living Wage, workplace pension auto enrolment charges and apprenticeship levy, the latter of which came into effect on 1 April 2017, substantially impacts our cost base but we are wholly in favour of the increased reward for our staff. To help increase social care funding the following funding streams are available from April 2017:

1. The Council Tax Precept, allowing Local Authorities to raise the precept by 3%, an increase from the 2% precept introduced last year, which is ring-fenced for adult social care; and
2. Better Care Fund, this is designed to help integrate NHS and social care co-funding.

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. The process to exit is in its early stages but we take comfort that our business is wholly located in the UK, has no cross-border trading and less than 5% of our workforce are non-UK EU nationals.

Employees

The employee headcount at 31 March 2017 was 9,300 and included 8,720 support staff (including bank workers) and service managers, 110 nurses and therapists, 8 managing directors, 42 operations managers, 170 other service staff, and 250 central overhead staff. We have a dedicated recruitment team that applies a thorough and consistent recruitment process comprising various interview stages and reference and background checks, including a disclosure and barring service ('DBS') check to ensure we adequately evaluate candidates. In addition, we provide various on-the-job training programmes through practical and electronic learning formats to enhance the skills of our support staff. These efforts have enabled us to minimise the use of external agency staff to 8,600 hours per week on average (c. 3.7% of total care hours) across our services for the year ended 31 March 2017. External agency staff are independent contractors and, as such, are not our employees.

Employees involved in providing care in our registered care homes and community based care services, 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 75% of our service managers and support staff had been employed by us for more than twelve months at 31 March 2017. 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 Chair) joined the Board of the Company as Non-Executive Chairman in January 2015. In the past five years, Mr. Simonds has acted as non-executive chairman for a number of public and private companies. Within the healthcare sector these companies include 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, Mr. Simonds worked in the City of London and the hotel sector, including as joint Managing Director of InterContinental Hotels.

Andrew Cannon (Chief Executive Officer) joined as Chief Executive Officer in August 2015. Prior to joining Voyage, Mr. Cannon was the Managing Director of Bupa Care Services, leading a team of 27,000 people across 300 residential homes and five care villages and caring for 40,000 people. Prior to this, Mr. Cannon 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, Mr. Cannon'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 telecommunications business.

Andrew Winning (Chief Financial Officer) has been the Group's Chief Financial Officer since February 2011. Prior to joining Voyage, Mr. Winning completed two successful private equity exits in the multi-site leisure sector, including the sale of Unique Pub Company to Enterprise Inns plc for £2.3 billion. He also co-led a public to private exit of a 1,000 managed pub estate from Bass PLC, led two major asset backed securitisations (each of which exceeded an amount of £800 million) and completed a £176 million rights issue for Marston's PLC. Mr. Winning is the sole director of Alfa Consulting Limited, a management consulting business that he owns. This business offers no services to the Group. In addition to the aforementioned directorships, Mr. Winning 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. Mr. Winning is a Chartered Accountant and holds a degree in economics from Aberystwyth University.

Jayne Davey (Chief Operating Officer) was appointed to the Board of the Company on 1 October 2015 and has served as Chief Operating Officer since February 2015. Ms. Davey had previously been our Director of Quality and Improvement since March 2013. For over ten years Ms Davey has held a number of senior positions both within the health and social care sector and for large corporate, quality led, service businesses. Ms. Davey 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.

<u>Executives of the Investors</u>

Andrew Deakin (Investor Director – Partners Group) has been a Director of the Company since September 2014. Mr. Deakin leads Partners Group's private equity team in London and has been with Partners Group since 2013. Prior to Partners Group, Mr. Deakin worked at Phoenix Equity Partners, Deloitte Corporate Finance and PricewaterhouseCoopers. Mr. Deakin 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 the Company in October 2015. Dr. Hauser 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 the Company since September 2014. Mr. Troup 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, Baywater Healthcare, Voyage Care and MediGlobe. Mr. Troup joined Duke Street from Permira where he had worked since 1995, becoming a partner in 2001. While at Permira, Mr. Troup worked on a range of transactions including Inmarsat and the AA. Mr. Troup 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 the Company as a non-executive director in September 2014. Mr. Quinn 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, Mr. Quinn 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. Mr. Quinn 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
Matthew Flinton	Commercial Director
Amanda Griffiths	Director of Quality
Zia Khan	Head of Business Systems
John McGarry	Property Director
Philip Sealey	Company Secretary
Mark Wilson	IT and Programme Director
Carl Brown (1)	Finance Director (resigned April 2017)
Peter Hands	Chief Information Officer and Chair of Systems Committee
Alan Rosenbach	Independent Chairman of Quality, Safety and Risk Committee
Regional Managing Directors	
Russell Baldwin (2)	Managing Director, South West (retired April 2017)
Ellen Poynton	Managing Director, South West (appointed March 2017)
Brian Flynn	Managing Director, North (appointed July 2016)
David Green	Managing Director, South
Antonella Laurenti	Managing Director, Central East (appointed August 2016)
Alan Marshall	Managing Director, Central West
Ayesha Trott	Managing Director, South East
Helen Hodgson	Managing Director, Specialist Healthcare

(1) Carl Brown resigned as Director of Finance and exited the Company on 30 April 2017. No replacement was appointed for this role as the Finance department was restructured and the responsibilities previously undertaken by the Director of Finance have been distributed amongst new and existing members of our Finance team.

(2) Russell Baldwin retired on 30 April 2017 and was replaced as Managing Director, South West by Ellen Poynton.

Matthew Flinton (Commercial Director) joined in January 2015, and has nine years' experience in the care sector. Mr. Flinton was Legal Director for Bupa UK for two years before joining Voyage as Commercial Director. Prior to that Mr. Flinton was Legal Director for the Bupa Care Services division, which operated care homes in the UK, Spain, Australia and New Zealand for six years. While at Bupa he led mergers and acquisitions, 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 in 2013 as Head of Quality, Safety and Governance and was made Director of Quality in March 2015. Ms. Griffiths leads the Quality team and provides guidance for the wider business on all regulatory and safety matters. Ms. Griffiths 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 in 2002 as Financial Accountant. He was promoted to Finance & Systems Manager in 2005 and became Head of Business Systems to oversee the automation of the operational business in 2011. He has previously held roles as financial controller for a large bingo business, stainless steel stockholder and a powered access company.

John McGarry (Property Director) joined the Group in 2002. Mr. McGarry has worked within the healthcare sector for over 20 years and joined Voyage from BUPA Care Services. Mr. McGarry 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. Mr. McGarry has a BSc in Construction Management from Wolverhampton University.

Philip Sealey (Company Secretary) joined in September 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. Mr. Sealey is a Chartered Accountant and has a BSc in Physics and an MA in English Literature.

Mark Wilson (IT and Programme Director) joined in November 2016 and has over 30 years of experience in IT. He leads the IT team, delivering IT support and application development, and the Project and Programme team, leading the major projects within the organisation. Mr. Wilson started his career as an application developer with Rolls-Royce and later worked as a Global Service Delivery Executive for Hewlett-Packard as, where he managed delivery to several FTSE 100 companies with teams based all over the world, from Singapore to Connecticut, and from Sao Paulo to Derby. He has spent the last 18 years running IT operational support, development and transformation programs. Mr. Wilson has a BSc (hons) in Computer Studies from the University of East Anglia.

Peter Hands (Chief Information Officer and Chair of Systems Committee) joined in August 2016, Mr. Hands has served numerous global technology and services companies in senior leadership and executive roles. Most recently he was Executive Director for the IT Business unit of Capita plc completing six acquisitions over that period. Prior to that he has held executive leadership roles in HP Enterprise Services, CGI inc., BT plc and Schlumberger. He has a BSc in Electronic Engineering and MSc in Systems Engineering.

Alan Rosenbach (Independent Chairman of the Quality, Safety and Risk Committee) joined Voyage Care as an independent chairman of the Quality, Safety and Risk Committee in May 2015. Mr Rosenbach has a number of non-executive roles in the care and health sector, including social care advisor to the Local Government Association, chair of Care Advisory Board at SuperCarers, non-executive director at Home from Home Care and Actualised Living, chair of Compliance Panel at Quality Compliance Systems, member of audit and risk committee at Jewish Care and member of Board of Trustees at Star Wards (Bright Charity). He is also a social care advisor working with councils on behalf of the Local Government Association. Prior to this part of his career, he worked for the Care Quality Commission from 2009 to 2015 and led that organisation's agenda on the registration and regulation of learning disability and autism services. He also worked with the ministerial led national programme boards for Learning Disability and Autism service transformation. Mr. Rosenbach has an MA Business Studies from Canterbury Christ Church University completed in 2004.

Regional Managing Directors

Russell Baldwin (Managing Director, South West) (retired April 2017) joined in November 2015, having previously been the partnership director at Mears Care. Mr. Baldwin has held a variety of senior positions within the health and social care sector since 2007 including Operations Director for Allied Healthcare and Director of Care at Home for Care UK.

Ellen Poynton (Managing Director, South West) (appointed March 2017) joined Voyage in March 2017 and will replace Russell Baldwin upon his retirement. Ms Poynton has over 25 years' experience in the health and social care market at the executive level and brings experience in transition and the development of supported living services. Prior to joining Voyage, Ms Poynton was as Managing Director for the Embrace Group, which specialises in mental health and learning disabilities. Ms Poynton has a BSC in Health Studies from Glasgow Caledonian University and started her career as a nurse in the NHS before joining the independent sector.

Brian Flynn (Managing Director, North) joined in July 2016, having previously been the Managing Director of Allied Healthcare and most recently with the SAGA Group. Mr. Flynn has a background in health and social care, a field he has been involved in over the last nine years. Prior to his involvement in the health and social care field, Mr. Flynn held managing director roles with companies in varied service industries.

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

Antonella Laurenti (Managing Director, Central East) joined in August 2016 with five years of social care experience at a senior level with Bupa Care Services. Ms. Laurenti was previously Head of Field Operations for Eon, one of the largest energy providers in the UK. Ms. Laurenti has a BTEC in Business and Finance.

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

Ayesha Trott (Managing Director, South East) joined in May 2015. Ms. Trott 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 adult's services. Ms. Trott 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. Ms. Trott 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 in May 2015. Ms. Hodgson 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 Ms. Hodgson 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 purchasers in the UK, such as Local Authorities and CCGs, for substantially all our revenue and the loss or reduction of such revenue 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 CCGs, account for almost our entire revenue. 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 (either in the aggregate or per unit of services), or that political or UK government policy changes could mean that fewer services are purchased by publicly funded local purchasers, which could materially reduce our revenue or margins.

Funding pressures from the Local Authorities and NHS are already in effect with most Local Authorities and CCGs trying to reduce their expenditure across the spectrum. Some recent developments in budget policy may ameliorate some of the funding cuts, including giving the Local Authorities the power to raise additional revenues by increasing the applicable council tax by up to 3% without the need for a local referendum through the introduction of an adult social care precept, as well as the provision in the recent UK government budget of an additional approximately £2 billion to councils in England over the next three years to spend on adult social care services (£1 billion of which is expect to be provided between 2017 and 2018). However, even if such new measures are implemented, there can be no assurance that the additional amounts raised will fully make up for any shortfall caused by central government spending cuts, with respect to any particular Local Authority or in aggregate, or that the publicly funded local purchasers that commission our services, notwithstanding the availability of such funds, will not reduce healthcare spending or spending on the types of services that we provide. Any such reduction in spending could have a material adverse effect on our average weekly fees, hourly rates 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-allocation of public funds to services which we currently do not provide could have an adverse effect on our ability to acquire new contracts and maintain or increase the fees we currently charge for our services.

If various national minimum wage ("NMW") and national living wage regulations change or are interpreted differently, our payroll costs will increase which may have a material adverse effect on our results of operations and financial condition.

Our 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 and contractual requirements imposed by the entities which commission our services. Increases in the national living wage rate and recent amendments to the relevant regulations are expected to put upward pressure on our payroll costs.

The application of the NMW regulations in relation to sleep-in shifts performed by care workers has recently received both legal and media coverage. Sleep-in shifts are shifts in which a staff member sleeps overnight at a service location in order to provide emergency cover. Sleep-in shifts are currently subject to a flat rate payment for our employees which is lower, on a per-hour basis, than the NMW. However if employees are disturbed during the night and are required to carry out their contractual duties then they are paid their normal hourly rate of pay for the disturbed hours.

Regulations 31 and 32 of the 2015 NMW Regulations provide that work which attracts NMW applies to hours when a worker is either working or available for working; availability only includes hours when a worker is awake for the purposes of working, as opposed to being asleep. Regulations 31 and 32 of the NMW Regulations have been considered by three Employment Appeal Tribunals which concluded that a worker carrying out a sleep-in duty is working for every hour of the shift even when asleep. Furthermore, in February 2015 the Department of Business, Innovation and Skills published amended guidance which suggests that a person may be found to be working whilst asleep if there is a statutory requirement for them to be present at the workplace or they would be disciplined if they left the workplace. On the other hand, the guidance also confirmed that whether somebody is working or not whilst asleep will depend on the nature of the work-related obligations to which the worker is subjected while they are asleep.

However, HMRC guidance on NMW and sleep-ins is clear that it does not consider sleep-ins to be working time for the purposes of NMW. It states that only hours worked when the worker is woken up during a sleep-in for the purposes of working will be regarded as working time for NMW purposes. We were also contacted by HMRC in August 2015 requesting information regarding workers undertaking sleep-in duties. HMRC wrote to us further in February 2016 and reiterated its stance from its own guidance, that only time awake and working during a sleep-in shift counts as working time for the purposes of NMW compliance. HMRC consulted with a small number of our employees who carry out sleep-ins and, following this, confirmed in March 2016 that it was satisfied that such employees had been paid the NMW and no evidence of non-compliance was found at the time.

Moreover, a further Employment Appeal Tribunal case in September 2015, applied Regulation 32 of the 2015 NMW regulations, and in short, ruled that a person carrying out a sleep-in shift was not working whilst they were asleep.

Following the publication of this case, the confirmation from HMRC and external legal advice we received at the time, we concluded that our arrangements are fully compliant with NMW rules. Nonetheless we are aware that the NMW regulations have been interpreted differently in respect of some aspects of their application, and we therefore have suffered, and may continue to suffer, claims that we have not fully complied with these regulations, particularly in relation to sleep-in shifts.

More recently, another provider in our industry lost an Employment Appeal Tribunal case concerning the application of the NMW to sleep-in shifts (also referred to above). The provider has been granted leave by the Employment Appeal Tribunal to appeal its decision before the Court of Appeal and it is expected that this case will be heard by the Court of Appeal in March 2018.

In August 2016 we received a letter from our HMRC inspector which stated that if workers are unable to leave the premises during a sleep-in shift, then time when such workers are asleep could be counted as working time for NMW purposes. This conflicts with HMRC's own guidance and the position HMRC had presented to us in March 2016. Shortly after receiving this letter we challenged HMRC on its apparent adjustment in its opinion. In both March and May 2017, we received letters from our HMRC inspector maintaining this adjusted opinion and requesting further information about certain of our employees who historically undertake sleep-in duties. We have responded to HMRC and again challenged HMRC's interpretation of the law.

We understand that HMRC has recently informed another provider in our industry that if an employee is unable to leave the premises during sleep-in hours then such time will be deemed to be working time for NMW purposes. In the wake of this action by HMRC, the relevant provider is seeking a judicial review of HMRC's position. In the event that we receive a negative final decision from HMRC, we will also consider challenging that decision through the Employment Tribunal and through judicial review proceedings.

Certain industry associations are actively pursuing the government to clarify on an urgent basis the law on sleep-ins in a way which ensures that sleep-ins continue to be affordable, and that the financial viability of providers is not affected.

If sleep-ins are deemed to be ''working time'' for NMW and national living wage purposes, our costs (including any back pay due to employees) and costs across the learning difficulties sector could increase substantially.

In addition, recent legal decisions in relation to holiday pay provide that non-guaranteed overtime pay should be included in the calculation of holiday pay where it is part of ''normal remuneration'', and that allowances ''intrinsically linked'' to performing a role should also be included when calculating holiday pay. The outcome of any appeals of such legal decisions could result in media coverage and claims from staff concerning the rates at which their holiday pay is calculated.

The realisation of any of these risks associated with the NMW, the national living wage and holiday pay would increase our payroll costs and could have a material adverse effect on our business, results of operations and financial condition or prospects.

The majority of our revenue is not guaranteed, 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 2017, 98% of the people we support in our Registered Care Home Division are funded on spot contracts. Under these contracts, the rates are individually negotiated and payment is dependent on continued occupancy of beds and consistent usage of services by the people we support. Spot fees are agreed with the Local Authority or CCGs 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 CCG and there is no guarantee that previous spot market purchasing volumes and unit prices by Local Authorities or CCGs 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 CCGs generally, these existing relationships cannot be relied upon to guarantee future placements of people to be supported or that the existing people we support will not be referred elsewhere.

Even if the relevant contracts are not terminated, the scope of services provided may be reduced which would cause a decrease in our revenue. A growing part of our Community Based Care business is awarded through tenders. Tenders are awarded directly to us through a contract to provide a pre-agreed number of support hours at a pre-determined fee rate over an agreed term that is ordinarily between two and seven years. While these arrangements provide some visibility on the volume of care and level of revenues, ordinarily, commissioners may terminate the contracts with three or six months' notice. Further, the Local Authorities from whom we win tenders are under no obligation to award us additional tenders and are under no obligation to renew the tender at the end of the expiration of its term. Additionally, the actual volume of care delivered and paid for under tenders may vary with the actual needs of the people we support. Framework agreements, under which we are classified as an approved provider, amongst the number of approved providers, allow us to participate in periodic tenders of care and support individuals as needs arise. We are not guaranteed any level of care and support hours or number of people supported under these framework agreements, and thus our revenues can differ from the assumptions made at the time the framework agreement was entered into. In addition, non-participation under a framework agreement may limit our ability to win additional tenders for the duration of the framework agreement.

A portion of our revenue 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 2017, we provided care to approximately 41 individuals under various block contracts. These agreements take the form of contracts on a number of beds in our registered homes, or the provision of care in community service locations, in which our fees are paid regardless of occupancy for the duration of the contract.

Block contracts with Local Authorities and the CCGs are generally declining in number due to a preference for individual care available under spot contracts, framework agreements and tenders covering a specific group of individuals. 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 CCGs 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 and pricing 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 officials at Local Authorities, CCGs 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 officials referring people in need of support to us for care and on families wishing to use our services. As such, it is important that strong relationships are fostered and maintained with these officials, 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 staff positions. We may also lose some of our key staff members who have these relationships with officials. Officials at Local Authorities or the CCGs 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, CCGs or 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.

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 fee rates that we charge for our services are agreed with Local Authorities and CCGs 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 various care cost calculators or methodologies used by Local Authorities and CCGs, which are typically derived from data based on assumed average industry costs. Our fees may be challenged or negotiated using these fee calculation tools. The UK government's continuing economic policy to reduce central government funding (or to limit increases in such funding to less than the amounts required) 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. We expect our labour costs to rise in 2017, mainly due to the increase in the national living wage, workplace pension auto enrolment charges and the apprenticeship levy, which came in to effect on 6 April 2017. If these or other operating costs increases in the business exceed the increase in our fee rates (which are the basis of our revenue), including any increases which may be provided for under certain of our tender contracts, we would have to absorb such excess 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 the internal structure that we have implemented to audit and reinforce high standards, 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, or one of our employees could be harmed by one or more of the people 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, and 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 those who operate in our sector. Media criticism of any 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 also 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.

Investigations or regulatory action taken by the CQC, Local Authority or any other regulatory body could also result in negative publicity which could, in turn, affect our ability to continue to offer particular services or to operate. In addition, action taken by the CQC, 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 or a regional registered care office, each of which are subject to individual 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 (again, the exact consequences of a regulatory breach will depend on whether it occurs in England, Wales or Scotland). Additionally, where services are funded by Local Authorities, such authorities also 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 of people (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. Suspensions are imposed by the regulators under various circumstances. These include: strong indicators that there is a risk of significant harm to the people we support through one of our services and such risk is continuing, sustained and not manageable; or if any other relevant and serious incident, concerns or situation had occurred. We currently have one registered care home subject to temporary voluntary suspension and one supported living service with an enforced suspension. A supported living service whilst not directly registered with the regulator does however deliver regulated care under the registration of a domiciliary care agency. 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. 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 decrease in the number of individuals supported, including individuals making use of their personal social care budgets, 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 upon organic growth, as well as expansion through obtaining suitable acquired 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 by winning contract tenders and to generate a satisfactory return on these investments is dependent upon many factors, including identifying areas of business or particular care services where we see opportunities for growth and hiring, training and retraining qualified personnel and obtaining the requisite planning permissions. 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 may also add capacity by purchasing care homes and community care businesses from other providers.

We may experience difficulty in adding capacity if we are unable to obtain the required permissions or if we are unable to recruit the necessary personnel. In addition, there may be insufficient opportunities in the market to purchase care homes and community based care businesses from other providers on favourable terms or at all.

Our ability to grow our revenue and future financial prospects may be adversely affected if we are unsuccessful in our bids for tenders or if we are unable to recruit the necessary personnel to efficiently deliver care in the event of successful bids on future tenders.

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 a potential future 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 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, in case of acquired residential facilities, 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 and unforeseen legal, regulatory, contractual, labour or other issues arising out of the acquisitions. Any failure to properly integrate acquired businesses or locations 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 acquire businesses and efficiently integrate suitable acquisition candidates or services acquired through tenders, our future growth may be adversely impacted.

If we are unable to win tenders, or upon winning tenders, if we are unable to fully integrate the services we are awarded, we might not achieve the level of growth we anticipate and our financial conditions and results of operations may be adversely impacted.

Our current business strategy includes bidding on tenders and obtaining community based care placements of supported people from tenders, which may include situations in which we take over the provision of existing services from an incumbent provider that had been managing care prior to our tender award. We might not be able to successfully identify suitable tenders to bid for, or accurately assess the value, strengths, liability and potential profitability of the tenders we will bid for in the future. In addition, we might not be able to effectively provide bids for the tenders that will be suitable for us once we have accurately identified such opportunities. An inability to bid and win tenders in the future may adversely affect our growth and revenue.

Even though bidding for tenders involves a lower capital expenditure than acquisitions, we might not be able to assess successfully the effort or expenditure that is required to roll out a new service or fully integrate the existing services we acquire from incumbent service providers. Any failure to build services or properly integrate acquired businesses or locations won through tenders could have a material adverse effect on our business, results of operations, financial condition or prospects.

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, including in connection with the transportation services we provide to the people we support.

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, war, terrorism or other causes outside our control. Furthermore, there can be no certainty 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 registered and community based 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, as well as private sector entities. 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 Community Based Care Division, and the threat of the replacement of registered care homes with community based care, 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 and other community settings 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 community based care, we may lose existing people we support or referrals that would otherwise have entered one of our registered care homes to a placement for care in alternative settings. 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 registered care homes. If we are unable to maintain occupancy rates in our Registered Care Home Division, such development could have a material adverse effect on our business, results of operations, financial condition and prospects.

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 registered care homes or community based care settings. Likewise, an inability to attract sufficient personnel may render us unable to maintain or grow the amount of services provided by our Community Based Care Division.

Furthermore, as labour represents our single largest cost item, wage pressures due to the planned increases in the national living wage and national minimum wage, and competing public and private sector pay, will increase our operating costs and may decrease our operating margins. In addition, our costs will continue to increase with the new apprenticeship levy which came into effect on 6 April 2017, and we may be unable to offset these increased costs if we do not benefit from a corresponding increase in funding.

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 recruiting and 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) and offering permanent staff overtime hours, 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.

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

We have significant fixed costs including insurance and utilities costs. 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 insurance costs and utility and fuel costs will not grow at a faster rate than our revenue. 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.

Possible changes to the payment of housing benefit for supported accommodation could materially adversely affect our revenue generated from our Community Based Care Division.

On 15 September 2016 the Secretary of State for Work and Pensions announced possible changes to the payment of housing benefit for supported accommodation, which is the type of accommodation which the people we support in our Community Based Care Division generally occupy. Supported accommodation is currently exempt from the cap on the amounts payable as housing benefit which applies to other forms of social housing. As a result, the housing benefit payable for supported accommodation typically exceeds the capped amounts payable for other forms of social housing. The announcement stated that this regime will continue until 2020 following which the intention is that a new regime will be put in place.

It is the government's intention that from 2020 core rent and service charges for supported accommodation will be subject to a cap. For costs above the level of the capped rate, regional or local authorities will disburse supplemental funds. A 12 week consultation on these proposals closed on 13 February 2017, and the UK government's response to this consultation has been delayed and is now expected in Q4 2017.

While the details of the proposed new regime are not known, a change to the housing benefit regime could adversely impact revenue from our current supported accommodation as well as the viability of new developments intended to provide supported accommodation. Such a development could curtail the anticipated growth in our Community Based Care Division and have a materially adverse effect on our results of operations and financial condition.

We have been subject to an investigation by HMRC with respect to certain wage requirements of our employees travelling between successive appointments with the people we support, and we may be subject to further regulation with respect to wage requirements for time spent traveling by our employees.

We have been subject to an investigation by HMRC regarding whether we pay the NMW to staff for time they spend travelling between successive appointments from home to home of people we support. We conducted a sample-based self-review of our systems during the course of the investigation, and we identified only one example of non-compliance with the new regulation. We have paid a nominal fine (imposed by HMRC) in relation to the instance of non-compliance, however, there is a possibility that our name would be published on the website of the Department of Business, Innovation and Skills for failure to pay the NMW. As a result we may receive adverse and negative publicity in relation to the wages of our support workers. We have an operational working group which works to develop an effective method to ensure compliance with the NMW regulations in relation to travel time. The group works alongside our operations and service managers within our Community Based Care Division to ensure that any concerns or queries in relation to the payment of travel time are swiftly resolved. However, we cannot guarantee that this group will ensure our compliance with the NMW regulations in relation to travel time, and any failure to comply with such regulations could have a materially adverse effect on our results of operations and financial condition.

A European Court ruling in September 2015 broadened the definition of working travel time to include the time spent travelling from the employee's own home to a client's home. This however related to working time for the purposes of the Working Time Directive only, and such travel time is not included as working time under English law and the NMW regulations. Accordingly, we do not pay care workers travel time for journeys between their own homes and appointments at the homes of people we support. There is a risk that the relevant European Court ruling will be taken as precedent and the regulations in the UK amended to include such travel time. If such a change were made, we would have to pay for additional travel time and our payroll costs would increase.

Classification of Value Added Tax on Day Care Services may increase our operating expenses.

Since we have started trading, we have taken the view that all supplies of ''care'' were exempt from Value Added Tax (''VAT''). During a review of our tax processes in September 2015, our advisors confirmed that day care services (based on HMRC's interpretation of VAT legislation) are standard rated supplies for VAT purposes. In the twelve months ended 31 December 2016, day care represented £4.3 million of total sales.

On instruction from HMRC, we have been raising VAT invoices to day care customers from 1 August 2016. The position with HMRC is near finalised, and we entered in to negotiations with Local Authority customers to recover the historic VAT liability by issuing them a VAT only invoice for tax due from November 2011, which we believe they ought to be able to offset against their own VAT returns. Local authority customers represent approximately 75% of the VAT liability by value. If our invoicing of VAT increases the effective out-of-pocket costs of our day care services to certain of our customers, we may face decreased demand for our day care services or pressure to reduce our prices, which would negatively affect our margins.

The VAT treatment of welfare services and in particular day-care services, is complex area. It is an area that may be subject to further change, through application of new case law and through changes to HMRC's interpretation.

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 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.

The vote by the UK electorate in favour of a UK exit from the EU could adversely impact our business, results of operations and financial condition.

A referendum on the UK's membership within the EU was held on June 23, 2016, with the 'leave side' winning the vote by 52% to 48%. The UK government is now planning the steps to implement a UK exit from the EU (''Brexit''), including the process of negotiation that will determine the future terms of the UK's relationship with the EU.

Depending on the terms of the Brexit negotiations, if it should occur, the UK could also lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members. Such a decline in trade could affect the attractiveness of the UK as a global investment centre and, as a result, could have a detrimental impact on UK growth.

While our business is wholly located in the UK, has no cross-border trading, and only about 6% of our workforce are non-UK EU nationals, it is not possible to predict fully the effects of Brexit on the UK economy. In the event Brexit results in the obstruction of the free movement of EU citizens into the UK, we could suffer a reduction in on our ability to recruit qualified personnel for the services we provide. For these reasons, and because Brexit could have other unforeseeable effects on the markets in which we operate and our industry, Brexit could have a material adverse effect on our business, results of operations and financial condition or prospects.

If Scotland holds a referendum on leaving the UK for the purposes of staying within the EU, and the 'leave side' wins, we might have to reorganise our business in Scotland and any future growth possibilities in Scotland may be affected. This may adversely affect our financial status and our ability to increase our revenue through growth in Scotland.

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 registered care homes and the modification of our existing registered care homes 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 become 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 Partners Group AG and Duke Street LLP. Whilst the Company is jointly controlled by Partners Group AG and Duke Street LLP, the Directors do not consider there to be an ultimate controlling party

Certain relationships and related party transactions

In the year ended 31 March 2017, consultancy fees and expenses were paid as follows:

- Consultancy fees of £300,000 and expenses of £Nil were paid to Duke Street LLP; and
- 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 8 May 2017, we, together with the Guarantors, entered into a new £45 million super senior Revolving Credit Facility Agreement. In addition, we may elect to request additional facilities either as a new facility or as additional tranches of the Revolving Credit Facility. The maximum aggregate principal amount of indebtedness outstanding under the Revolving Credit Facility and all additional facility commitments shall not exceed an amount equal to the amount of consolidated EBITDA.

The Revolving Credit Facility Agreement also contains a ''notes purchase condition'' covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, we may not, and shall procure that no other member of the Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Notes or any indebtedness ranking pari passu with the Notes (or any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time) prior to its scheduled repayment date in any manner which involves the payment of cash consideration of the Group to a person which is not a member of the Group. The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Senior Secured Debt in existence.

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 2017 ("FYE 2017") and 31 March 2016 ("FYE 2016").

The consolidated financial statements consolidate those of the Company and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs), and the Company financial statements have been prepared in accordance with Financial Reporting Standards 101 (FRS101) 'Reduced Disclosure Framework' and the Companies Act 2006.

Other financial measures

In this Annual Report, we may present certain non-gaap measures, including cash conversion, adjusted EBITDA, adjusted EBITDA before non-underlying items, adjusted EBITDA margin, adjusted EBITDAR, adjusted EBITDAR before non-underlying items, adjusted Unit EBITDA before non-underlying items (each, a ''non-gaap 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 adjusted EBITDA before non-underlying items less maintenance capital expenditure divided by EBITDA before non-underlying items.
- ''Adjusted EBITDA'' means earnings before interest, tax, depreciation (including impairments and profits on disposal of assets) and amortisation.
- ''Adjusted EBITDA before non-underlying items'' means adjusted EBITDA revised to remove the effects of certain non-underlying charges.
- ''Adjusted EBITDA margin'' means adjusted EBITDA divided by revenue.
- ''Adjusted EBITDAR'' means adjusted EBITDA before rent expense.
- ''Adjusted EBITDAR margin'' means adjusted EBITDA before rent expense divided by revenue.
- ''Adjusted EBITDAR before non-underlying items'' means adjusted EBITDA before non-underlying items and before rent expense.
- ''Adjusted Unit EBITDA before non-underlying items'' means adjusted EBITDA before non-underlying items and before overhead expenses, which we believe is a useful indicator of adjusted EBITDA on a divisional basis.

We believe that adjusted 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 adjusted 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 adjusted EBITDA before non-underlying items, adjusted EBITDAR before non-underlying items and adjusted 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 adjusted EBITDA and adjusted EBITDAR, respectively.

The non-gaap metrics in this Annual Report are used by different companies for differing purposes and are often calculated in ways that reflect the particular circumstances of those companies. You should exercise caution in comparing the non-gaap metrics reported by us to such metrics or other similar metrics as reported by other companies. None of our non-gaap 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-gaap metrics do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirement and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results. Our non-gaap metrics have limitations as analytical tools, and you should not consider them in isolation.

Other data

Available beds

Our results of operations are impacted by the number of beds at certain locations as bed capacity determines the maximum number of people that can be cared for in our Registered Care Home Division at any given time. Numbers of beds is presented in this Annual Report as at the end of the relevant period unless otherwise stated.

Community Based Care placements

Our results of operation are impacted by the number of people supported in our Community Based Care Division. The number of people supported in our Community Based Care Division is presented in the Annual Report as at the end of the relevant period unless otherwise stated.

Occupancy rates

Occupancy rates presented in this Annual Report represents the total number of beds occupied in our Registered Care Home Division 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 placement for people supported and is dependent on the nature of the pricing agreement in place.

The fee rates in this Annual Report, for our Registered Care Home Division, refer to average weekly fees in a given period unless otherwise stated.

The fee rates in this Annual Report, for our Community Based Care Division, refer to average hourly rates charged to a funder per carer in a given period unless otherwise stated.

Average weekly hours of care delivered

Average weekly hours of care delivered in our Community Based Care Division as at a certain date is calculated by taking the average aggregate number of hours of care delivered in the month immediately preceding such date unless otherwise stated.

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

Revenue

Revenue in our Registered Care Home Division is primarily driven by the number of beds occupied at any given time, together with the fee rates charged for occupancy of such beds. Revenue in our Community Based Care Division is primarily driven by the number of placements at any given time, together with the fee rates charged per hour for the delivery of care and support to those whom we support.

Registered available beds and community based care placements

Changes in the number of available beds in our Registered Care Home Division and placements in our Community Based Care Division 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 at any given time and the number of placements determines the number of care and support hours that we are asked to provide at any given time.

The average registered available beds and average community based care placements for the given periods are stated below:

	FYE 2017	FYE 2016
Registered	2,079	2,106
Community Based Care	1,147	1,116
Total	**3,226**	**3,222**

Occupancy rate

Our occupancy rates reflect the demand for our services, which is principally driven by our relationships with Local Authorities and CCGs, reputation for quality, the ability to offer bespoke and complex care packages and flexibility to adapt the environment of our Registered Care Homes to suit the individual needs of the people we support. 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 2017	FYE 2016
Registered	90.4%	90.1%

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 CCGs on an individual basis for each person we support.

Average weekly fees for registered beds and the average hourly rate for community based care placements on a LTM basis are stated below:

	LTM March	
	2017	**2016**
Registered (average weekly fee (£))	1,590	1,557
Community Based Care (average hourly rate (£))	14.99	14.83

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 national insurance rates;
- 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; and
- bonus schemes, being annual and other schemes operating at any one time.

		FYE 2017	**FYE 2016**
Staff costs *	£m	137.7	127.2
% Revenue		64.6%	62.4%
% Operating costs **		79.0%	78.2%

		FYE 2017	**FYE 2016**
Staff Costs (excluding central overheads) *	£m	125.4	116.2
% Revenue		58.9%	57.0%
% Operating costs **		71.9%	71.5%

* *Staff costs stated before non-underlying items*
*** Excludes depreciation and impairment of assets, profit/loss on disposals of 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 2017	FYE 2016	% Change
Revenue	**213.0**	**203.9**	**4.5%**
Staff costs	(137.7)	(127.2)	(8.3%)
Direct expenses & consumables	(8.3)	(7.7)	(7.8%)
Property lease rentals	(3.5)	(3.3)	(6.1%)
Other lease rentals	(1.5)	(1.9)	21.1%
Other external charges	(23.5)	(22.5)	(4.4%)
Adjusted EBITDA before non-underlying items	**38.7**	**41.3**	**(6.3%)**
Non-underlying items	(0.2)	(4.5)	95.6%
Adjusted EBITDA	38.5	36.7	4.9%
Depreciation & impairment of property, plant and equipment	(15.0)	(10.8)	(38.9%)
Profit on disposal of assets	0.2	0.3	33.3%
Impairment of goodwill	0.0	(8.6)	Nm
Amortisation of intangible assets	(0.9)	(1.0)	10.0%
Operating profit	**22.7**	**16.7**	**35.9%**
Finance income	0.1	0.1	(0.0%)
Finance expense	(23.7)	(24.2)	2.1%
Loss before taxation	**(0.9)**	**(7.4)**	**(87.8%)**
Taxation	3.0	2.6	(15.4%)
Profit / (loss) for the year	**2.1**	**(4.9)**	**Nm**
Other financial metrics			
Staff costs (excluding central overheads)	125.4	116.2	(7.9%)
Overhead expenses & bonus	17.7	16.1	(9.9%)
Adjusted Unit EBITDA before non-underlying items	56.3	57.2	(1.6%)
Adjusted EBITDA before non-underlying items margin %	18.2%	20.3%	(2.1%)
Adjusted EBITDA margin %	18.1%	18.0%	0.1%
Adjusted EBITDAR	41.9	40.1	4.5%
Adjusted EBITDAR margin %	19.7%	19.7%	0.0%
Adjusted EBITDAR before non-underlying items	42.1	44.6	(5.6%)
Adjusted EBITDAR before non-underlying items margin %	19.8%	21.9%	(2.1%)

Revenue

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

- FYE 2017 revenue increased by £9.1 million, or 4.5% to £213.0 million from £203.9 million for FYE 2016, primarily due to organic growth in our Community Based Care business, new business throughout the course of the year and fee inflation, partially offset by the loss of revenue due to services that have now closed.

Staff costs

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

- Staff costs (excluding overheads) for FYE 2017 increased by £9.2 million, or 7.9% to £125.4 million (which represented 58.9% of revenue) from £116.2 million (which represented 57.0% of revenue) for FYE 2016, primarily due to increases in staff costs as a result of National Minimum Wage, National Living Wage, certain discretionary pay rises and associated staff costs due to the growth in our Community Based Care business and control of new services.

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.

- FYE 2017 direct expenses and consumables increased by £0.6 million, or 7.8% to £8.3 million from £7.7 million for FYE 2016 primarily due to increased spend on household provisions.

Property lease rentals

Property lease rentals consist primarily of leases on our Registered Care Homes and Community Based Care DCAs. At 31 March 2017, we had 58 short-term leases, consisting of 38 Registered Care Homes and 20 registered Community Based Care offices. In addition, 3 of our Registered Care Homes were held on a long leasehold basis (each with a lease period of over 35 years remaining). At 31 March 2017, 14.7% of our Registered Care Homes were held under operating leases.

- FYE 2017 property lease rentals increased by £0.2 million, or 6.1% to £3.5 million from £3.3 million for FYE 2016.

Other lease rentals

Other lease rentals consist primarily of motor vehicle leases. We currently lease approximately 250 vehicles, which are primarily used to transport the people we support.

- FYE 2017 other lease rentals reduced by £0.4 million, or 21.1% to £1.5 million from £1.9 million for FYE 2016, primarily due to the replacement of previously leased vehicles with owned vehicles following the expiration of existing vehicle lease agreements.

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.

- FYE 2017 other external charges increased by £1.0 million, or 4.4% to £23.5 million from £22.5 million for FYE 2016, primarily due to increased spend on external agency, repairs and professional fees.

Adjusted EBITDA and adjusted EBITDA before non-underlying items

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

Adjusted EBITDA before non-underlying items

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

- FYE 2017 adjusted EBITDA before non-underlying items decreased by £2.6 million, or 6.3% to £38.7 million from £41.3 million for FYE 2016, primarily due to an increase in staff costs as a result of National Minimum Wage, National Living Wage and certain discretionary pay rises, and increased spend on external agency, professional fees and repairs.

Non-underlying items

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

- FYE 2017 non-underlying items decreased by £4.3 million, or 95.6% to £0.2 million from £4.5 million for FYE 2016. Non-underlying items during FYE 2017 primarily related to one-off costs in relation to restructuring our workforce, external consultancy fees and certain fees associated with our recently completed refinancing transaction. FYE 2017 non-underlying items were partially offset by receipts in respect to VAT on our Day Care business. Non-underlying items during FYE 2016 primarily related to a one-off cost in relation to our Day Care business and external consultancy fees.

Adjusted EBITDA

- FYE 2017 adjusted EBITDA increased by £1.8 million, or 4.9% to £38.5 million from £36.7 million for FYE 2016, primarily due to the decrease in spend on non-underlying items offset by the decrease in adjusted EBITDA before non-underlying items.

Depreciation and impairment of assets

Depreciation and impairment of assets comprises the write off of the cost of 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.

- FYE 2017 depreciation and impairment of assets increased by £4.2 million, or 38.9% to £15.0 million from £10.8 million for FYE 2016, primarily due to the impairment of five freehold properties due to the carrying amount of assets exceeding its recoverable amount.

Profit on disposal of assets

Profit on disposal of assets represents the difference between the net disposal proceeds received and the net book value of an asset at the time of disposal.

- FYE 2017 profit on disposal of assets was £0.2 million (FYE 2016: £0.3 million).

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.

- FYE 2017 no impairment of goodwill occurred due to the recoverable amount of each CGU exceeding its carrying amount (FYE 2016: £8.6 million was recognised).

Amortisation of intangible assets

Intangible assets arose as a result of a number of acquisitions during 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 2017 amortisation of intangible assets reduced by £0.1 million, or 10.0% to £0.9 million from £1.0 million for FYE 2016.

Operating profit

Operating profit consists of earnings before interest and taxation.

- FYE 2017 operating profit increased by £6.0 million, or 35.9% to £22.7 million from £16.7 million for FYE 2016, primarily due to an £8.6 million impairment of goodwill and high spends on non-underlying items in FYE 2016 partially offset by decreased adjusted EBITDA before non-underlying items and an impairment of five freehold properties in FYE 2017.

Finance income

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

- FYE 2017 interest receivable and other income remained constant at £0.1 million when compared to FYE 2016.

Finance expenses

Finance expenses on bank loans primarily consist of interest payable and fees relating to the existing Senior Secured Notes and Second Lien Notes (the "Senior Facilities"), as well as other finance costs including the interest on the existing Revolving Credit Facility.

- FYE 2017 interest payable and similar charges on bank loans decreased by £0.5 million, or 2.1% to £23.7 million from £24.2 million for FYE 2016, primarily due to the unwinding of discount on our onerous lease provision.

Loss before taxation

Loss before taxation represents the result of the Statement of Profit and Loss before provision for taxation.

- FYE 2017 loss before taxation decreased by £6.5 million, or 87.8% to £0.9 million from £7.4 million for FYE 2016, primarily due to an £8.6 million impairment of goodwill and high spends on non-underlying items in FYE 2016 partially offset by decreased adjusted EBITDA before non-underlying items and an impairment of five freehold properties in FYE 2017.

Taxation

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

- FYE 2017 a taxation credit of £3.0 million was booked compared to taxation credit of £2.6 million for FYE 2016. The taxation credit arose primarily due movements on the deferred tax balance including reduction in substantively enacted future tax rate to 17%.

Profit / (loss) for the year

Profit / (loss) for the year represents the result of the Statement of Profit and Loss after provision for taxation.

- FYE 2017 profit for the year increased by £7.0 million to £2.1 million from £4.9 million loss for FYE 2016, primarily due to an £8.6 million impairment of goodwill and high spends on non-underlying items in FYE 2016 partially offset by decreased adjusted EBITDA before non-underlying items, an impairment of five freehold properties and the benefit from a larger taxation credit in FYE 2017.

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 2017 and 31 March 2016, our cash balances were £21.0 million and £17.7 million, respectively.

Net bank debt as at 31 March 2017 was £252.2 million, comprising £272.0 million of borrowings under the existing Senior Secured Notes and Second Lien Notes, no borrowings under the Revolving Credit Facility, £21.0 million of cash and £0.2 million of unamortised original issue discount on the existing Second Lien Notes. Within the £21.0 million cash balance is £1.5 million of restricted cash which is excluded from cash for the purposes of calculating the net debt.

Net bank debt as at 31 March 2016 was £255.2 million, comprising £272.0 million of borrowings under the existing Senior Secured Notes and Second Lien Notes, no borrowing under the Revolving Credit Facility, £17.7 million of cash and £0.4 million of unamortised original issue discount on the existing 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.

Consolidated Cash flow statement

£ million	**FYE 2017**	**FYE 2016**	**% Change**
Adjusted EBITDA before non-underlying items	38.7	41.3	(6.3%)
Maintenance capex	(8.0)	(7.5)	6.7%
Operating cash flow	**30.7**	**33.8**	**(9.2%)**
Cash conversion %	*79.4%*	*81.8%*	*(2.5%)*
Non-underlying items (1)	(0.2)	(4.5)	(95.6%)
Working capital	(2.7)	5.2	nm
Capital expenditure (2)	(2.3)	(5.1)	54.9%
Interest	(21.0)	(20.9)	(0.5%)
Taxation	(0.1)	(0.4)	75.0%
FCF before acquisitions and financing	**4.4**	**8.1**	**(45.7%)**
Acquisition (3)	(0.2)	(0.9)	77.8%
FCF before financing	**4.1**	**7.2**	**(43.1%)**
Net cash flow used in financing activities	(0.8)	(5.0)	84.0%
Movement in cash for the year	**3.3**	**2.2**	**50.0%**
Opening cash and cash equivalents	17.7	15.5	(14.2%)
Closing cash and cash equivalents	**21.0**	**17.7**	**18.6%**
Other financial metrics			
Development capex (£m)	1.6	1.8	(6.1%)
Maintenance capex, excluding IT spend (£m)	6.9	6.9	0.2%
Maintenance capex, excluding IT spend (% revenue)	3.3%	3.4%	(0.2%)

(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

- FYE 2017 operating cash flow decreased by £3.1 million, or 9.2% to £30.7 million from £33.8 million for FYE 2016, primarily due to a £2.6 million decrease in adjusted EBITDA before non-underlying items a £0.5 million increase of spend on maintenance capex.

Non-underlying items

- FYE 2017 non-underlying items decreased by £4.3 million, or 95.6% to £0.2 million from £4.5 million for FYE 2016. Non-underlying items during FYE 2017 primarily related to one-off costs in relation to restructuring our workforce, external consultancy fees and certain fees associated with our recently completed refinancing transaction. FYE 2017 non-underlying items were partially offset by receipts in respect to VAT on our Day Care business. Non-underlying items during FYE 2016 primarily related to a one-off cost in relation to our Day Care business and external consultancy fees.

Working capital

- FYE 2017 working capital outflow increased by £7.9 million to £2.7 million from £5.2 million inflow for FYE 2016, primarily due to unfavorable movements in accruals and trade receivables.

Capital expenditure

- FYE 2017 capital expenditure decreased by £2.8 million, or 54.9% to £2.3 million from £5.1 million for FYE 2016, primarily due to a decrease in expenditure on the purchase of property, plant and equipment in FYE 2017 when compared to FYE 2016.

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

- FYE 2017 interest cost increased by £0.1 million, or 0.5% to £21.0 million from £20.9 million when compared to FYE 2016.

Taxation

- FYE 2017 taxation decreased by £0.3 million, or 75.0% to £0.1 million from £0.4 million when compared to FYE 2016, primarily due to a £0.2 million receipt in relation to a repayment of corporation tax made on account in FYE 2016.

Acquisition

- FYE 2017 spends on acquisitions decreased by £0.7 million, or 77.8% to £0.2 million from £0.9 million when compared to FYE 2016. During FYE 2017 we paid £0.2 million deferred consideration in relation to our acquisition of Primary Care in June 2014 and during FYE 2016 we paid £0.9 million deferred consideration in relation to the freehold purchase of Quercus leases acquired in March 2014.

Net cash flow used in financing activities

- FYE 2017 net cash outflow decreased by £4.2 million, or 84.0% to £0.8 million from £5.0 million when compared to FYE 2016. During FYE 2017 we paid fees in relation to our recently completed refinancing transaction and during FYE 2016 we repaid the balance of our Revolving Credit Facility.

Contractual obligations

The following table summarises our material contractual obligations at 31 March 2017. 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]	3.6	8.6	17.8	30.0
Total	**3.6**	**280.6**	**17.8**	**302.0**

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

Consolidated Statement of Financial Position

£ million	Mar-17	Mar-16 (audited)	% Change
Non-current assets	398.6	401.1	(0.6%)
Current assets			
Trade receivables, other receivables, prepayments *	18.9	16.3	15.9%
Cash at bank and in hand	21.0	17.7	18.9%
Assets classified as held for sale	1.0	2.4	(57.3%)
Total assets	**439.6**	**437.5**	**(0.5%)**
Non-current liabilities			
Loan notes	267.8	265.1	(1.0%)
Tax liabilities	11.2	14.2	21.0%
Accruals and deferred income	3.6	3.9	7.4%
Provisions for liabilities and charges	2.5	2.8	10.4%
Current liabilities *	42.5	41.5	(2.3%)
Equity	112.0	110.0	(1.9%)
Total equity and liabilities	**439.6**	**437.5**	**(0.5%)**

** Debtors in FYE 2017 include £0.7 million of intercompany loans (FYE 2016: £0.5 million), and current liabilities in FYE 2017 include £2.1 million of intercompany loans (FYE 2016: £2.0 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.

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 and 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	Revenue FYE 2017	Revenue FYE 2016	Revenue % Change
Registered	155.2	151.5	2.4%
Community Based Care	53.3	48.2	10.6%
Daycare	4.5	4.2	7.1%
Total	**213.0**	**203.9**	**4.5%**

Other financial metrics	**FYE 2017**	**FYE 2016**	**Change**
Registered average occupancy	1,879	1,897	(18)
Registered average occupancy %	90.4%	90.1%	0.3%
Community Based Care average weekly hours (LTM)	68,500	61,800	6,700

Voyage BidCo Limited

Annual Report and Consolidated Financial Statements

Registered number 05752534

For the year ended 31 March 2017

Voyage BidCo Limited
Annual Report and Consolidated Financial Statements
For the year ended 31 March 2017

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Voyage BidCo Limited
Strategic Report
For the year ended 31 March 2017

The Directors present their Strategic Report for the year ended 31 March 2017.

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

Voyage Care remains the leading provider of Registered Care services whether by revenue or placements, with an established presence in Community Based Care services. The Group supported 3,030 people as at 31 March 2017, comprising 1,877 through its Registered Care services and a further 1,153 supported through its Community Based Care services.

Over the year the Group's Registered Care services' occupancy reduced by 13 people to 1,877 people as at 31 March 2017 from 1,890 people as at 31 March 2016. This reduction is primarily due to certain care homes being deregistered to respond to changing local dynamics. Occupancy remained high at 90% (2016: 90%), which is a pleasing result and in line with expectations. The Group's Community Based Care services delivered approximately 9,100 additional average weekly hours of care to 70,300 average weekly hours of care as at 31 March 2017 from 61,200 average weekly hours of care as at 31 March 2016. The vast majority of people we support have long-life 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. This provides us with visibility of expected care packages including occupancy and weekly care hours and provides a degree of resilience to government spending pressures. This level of support and resilience is reflected in our Registered Care services average weekly fee of £1,594 (2016: £1,556) per person and Community Based Care services average revenue per hour of £14.90 (2016: £15.25) per person for the year ended 31 March 2017.

As at 31 March 2017, approximately 77% of the people we support in our Registered Care services division have been in our care for more than five years and some of the people we support have been in our care for more than 20 years. Approximately 36% of the people we support in our Registered Care services division are 40 years of age or younger, and 79% are 60 years of age or younger, which contributes to a long average length of stay in those services. Approximately 42% of the people we support in our Community Based Care services division are 40 years of age or younger, and 81% are 60 years of age or younger, which contributes to a long average length of stay in those services. Similarly, the contracts and framework agreements by our Community Based Care Division are typically two to seven years in duration.

Of the care we provide, 95% is paid for by Local Authorities and Clinical Commissioning Groups (''CCGs''), and as at 31 March 2017, we generated revenue from over 250 of these publicly funded purchasers across the UK. Our long-standing relationships with Local Authorities and CCGs are built on our strong reputation for providing quality services to the people we support.

There appears to be a progressive shift towards Community Based Care as some Local Authorities and Clinical Commissioning Groups have stated Community Based Care services is the type of service area that they wish to grow and develop moving forward, however they also recognise the significant residual role of Registered Care services. We therefore believe there is capacity in the market to grow both the Registered Care services business and Community Based Care services business. To harness this growth, the Group is investing in its head office functions to improve quality, accuracy and support for its customers to strengthen long-standing relationships and become the 'go to' care provider for Registered Care services and Community Based Care services.

The typical person we support in each of our divisions is between the ages of 18 and 65, has high dependency needs, allied medical needs, is highly likely to present challenging behaviour, may have difficulty communicating verbally and/or may cause harm to themselves or a member of the community without appropriate care.

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. 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 our client group, we typically provide a considerable amount of care for each person we support. We believe this approach provides the Group with a competitive advantage compared to other care providers in the private sector, as evidenced by 96% (2016: 92%) of our services inspected achieving a rating of Good or Outstanding following inspection from the Care Quality Commission (CQC).

The National Living Wage, workplace pension auto enrolment charges and apprenticeship levy, which came into effect on 6 April 2017, clearly impacts our cost base and we are being successful in achieving some additional funding from Local Authorities and Clinical Commissioning Group's to compensate us for these costs.

To help increase social care funding the following funding streams are available in April 2017:

- The Council Tax Precept, allowing Local Authorities to raise the precept by 3%, an increase of 1% from the 2% precept introduced last year, which is ring fenced for adult social care; and
- Better Care Fund, designed to help integrate NHS and social care co-funding.

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 National Living Wage, workplace pension auto enrolment and apprenticeship levy.

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

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 96% (2016: 92%) of services that have achieved a rating of either Good or Outstanding following inspection by CQC. Additionally 100% (2016: 100%) of homes and services registered in Scotland and Wales were found to be compliant when inspected by their regulators. As a result of our great results, we have revised our targets shifting focus from compliance to quality with the aim to increase as many care homes and services from a rating of Good to Outstanding. The continuing drive for higher quality will strengthen our ability to retain existing business, win community care tenders, increase the number of people we support within framework agreements, attract individual clients with personal budgets and place us in a favourable position to take over failing services all of which contributes towards our objectives.

Quality is monitored by the Board via the Group's Quality, Safety and Risk Committee which is discussed further in the Directors' Report.

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 £2.1 million in the year ended 31 March 2017 (2016: £1.8 million), 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 2017 there were 9,295 (2016: 8,600) employees of whom 2,172 (2016: 2,150) were male and 7,123 (2016: 6,450) were female. Of these 20 (2016: 18) are considered to be Senior Executives, of this number, 15 (2016: 10) were male and 5 (2016: 8) were females. As at 31 March 2017 the Group's Board of Directors comprised 10 (2016: 8) individuals, of this number, 9 (2016: 7) were male and 1 (2016: 1) was female. The Company defines Senior Executives as employees in a senior position who have the day-to-day tasks of managing the business. We recognise that a diverse Senior Executive team is good for business, and remain committed to having a diverse team in terms of gender as well as diversity and experience, background, skills and knowledge.

Social, community and human right issues
Voyage Care's 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, the Group has direct involvement in a number of community based programmes such as fundraising. Staff are recruited locally and services 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 the people we support to gain the skills, experience and knowledge to gain work opportunities.

The Group's 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. Voyage Care is committed to supporting human rights through our compliance with laws and regulations 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 is not a huge carbon emitting business but we seek to minimise the 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 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 office waste and promoting recycling in our services;
- Ensuring 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 2017, the Group had net assets of £111,992,000 (2016: £109,951,000). This analysis is detailed on the consolidated Statement of Financial Position (see page 12).

Correspondingly, for the year ended 31 March 2017, the Group reported a profit before taxation and non-underlying items of £3,903,000 (2016: £6,799,000) and a loss before taxation of £931,000 (2016: loss before taxation £7,448,000). This analysis is detailed on the consolidated Statement of Profit and Loss (see page 10).

Net debt at the year end amounted to £246,933,000 (2016: £247,656,000) with committed but undrawn facilities of £37.5 million. Under the terms of the Revolving Credit Facility the Group is required to meet one financial covenant test on a quarterly basis. The covenant test is Net Debt/EBITDA with a ratio of 7.95:1, the Group reported headroom on its covenants testing during the year and was in compliance with its covenant testing with a ratio of 6.52:1 as at 31 March 2017. Subsequent to the year end, the Group negotiated a new Revolving Credit Facility as part of the refinancing transaction. Please see note 21 for further analysis of Loans and Borrowings.

The business presents certain non-GAAP metrics such as Adjusted EBITDA and Adjusted EBITDA (before non-underlying items) as management use these metrics to evaluate the Group's operating and financial performance. These measures are not identified as accounting measures under International Financial Reporting Standards (IFRS) therefore the below reconciliation provides a bridge between non-GAAP metrics and the accounting measures under IFRS.

	2017 £000	2016 £000
Adjusted EBITDA (before non-underlying items)	38,650	41,292
Non-underlying items	(173)	(4,538)
Adjusted EBITDA	38,477	36,754
Depreciation and impairment of property, plant and equipment	(15,038)	(10,843)
Profit on disposal of assets	176	298
Release of negative goodwill	-	46
Amortisation and impairment of intangible assets	(871)	(9,568)
Operating profit	22,744	16,687

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

	2017 £000	2016 £000	Performance %
Revenue (before non-underlying items)	213,039	203,914	4.5%

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. A 1% decrease in revenue would reduce the Group's revenue by £2.1 million (2016: £2.0 million).

	2017 £000	2016 £000	Performance %
Adjusted EBITDA (before non-underlying items)	38,650	41,292	(6.4%)

Adjusted 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
Agency usage benefits the business by covering unexpected or temporary demands. Although we receive benefits from agency usage we aim to limit our usage to improve service quality by offering continuity to the people we support, and reduce our cost base as agency costs demand an hourly premium. We remain committed to improvements in recruitment, retention and in systems, in order to reduce agency usage.

Key performance indicators continued

(b) Quality

	2017	2016	Performance
Services rated as Good or Outstanding by CQC	96%	92%	4%

Our CQC rating is an indication of how the business is regarded from a regulatory body and is an important key performance indicator as current and potential customers may use this rating as an insight to Voyage Cares operations. 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

	2017	2016	Performance
Registered			
Absolute number	1,877	1,890	(13)
% of capacity	90%	90%	-
Community Based Care			
Absolute number	1,153	1,082	71
Average weekly hours	70,300	61,200	9,100

Occupancy represents the total number of registered 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. Occupancy is a vital key performance indicator as it determines whether, or not, the care home is being utilised efficiently and shows the level of demand in a particular area which can be an indication for development opportunities.

Average weekly hours represent the weekly care hours provided as at 31 March 2017. Average weekly hours is an important key performance indicator as the indicator reports the pure volume of care hours.

(d) Fee rates

	2017	2016	Performance
Registered (£ Average weekly fee)	£1,594	£1,556	£38
Community Based Care (£ Average income per hour)	£14.90	£15.25	(£0.35)

Fee rates depend on the service that is being provided and the nature of the pricing agreement in place. The fee rates in this report refer to average weekly fees in our Registered Care services division and average revenue per hour in our Community Based Care services division. We aim to increase our average weekly fee and revenue per hour each year by negotiating with Local Authorities and the NHS. Fee rates are an important key performance indicator as the metric reports the pure revenue receivable for a week or an hour depending on the care package.

(e) Staff Turnover

	2017	2016
% staff turnover	33%	36%

Staff turnover represents the percentage of employees that left the Company during the year. Staff turnover is an important key performance indicator as low staff turnover provides continuity for the people we support allowing us to provide consistent high quality care. Recruitment is also financially expensive because time and resources are required to fill vacant positions and training is required to ensure our high standards are maintained.

(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 3% council tax precept, entirely dedicated to social care funding which will allow local government to raise an additional c.£4.5 billion by 2020. The Spring Budget 2017 made available an additional £2 billion for use by Local Authorities for social care, of which £1 billion will be provided in 2017/18 and in addition the Better Care Fund is now available (together delivering £2 billion to the social care sector in 2017/18);

- 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 - this 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 and average weekly hours - admissions and leavers and progress of referrals for vacancies are formally reported to senior management on a weekly basis. A 1% decrease in occupancy levels and average weekly hours would reduce the Group's revenue by £2.1m (2016: £2.0 million);

Principal risks continued

- National Living Wage, workplace pension auto enrolment charges and apprenticeship levy - the National Living Wage (and likely consequent increases in the National Minimum Wage), workplace pension auto enrolment charges and apprenticeship levy 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;
- Legal and regulatory proceedings - The application of the National Minimum Wage (NMW) regulations in relation to sleep-in shifts performed by care workers has recently received both legal and media coverage. Regulation 30 and 32 of the 2015 NMW regulations have been considered by three Employment Appeal Tribunals which concluded that a worker carrying out a sleep-in duty is working for every hour of the shift even when asleep. However, current HMRC published guidance on NMW and sleep-ins is clear that it does not consider sleep-ins to be working time for the purposes of NMW. We are aware that the NMW regulations have been interpreted differently in respect of some aspects of their application, particularly in relation to sleep-in shifts. In the event that we receive a negative decision in relation to sleep-ins, we will consider challenging that decision through the Employment Tribunal and through judicial review proceedings.

  Certain industry associations are actively pursuing the government to clarify on an urgent basis the law on sleep-ins in a way which ensures that sleep-ins continue to be affordable and that financial viability of providers is not affected. We are not in a position to quantify an associated impact on the business but we continue to diligently monitor the outcomes of the above proceedings to scrutinise any impact for the Group; 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 the terms of Brexit negotiations to scrutinise any impact for the Group in this time of uncertainty.

Uncertainties facing the business

Notwithstanding the risks identified above 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.

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.

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

By order of the Board

P Sealey
Company Secretary

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP
30 June 2017

Voyage BidCo Limited
Directors' Report
For the year ended 31 March 2017

The Directors present their annual report and the audited financial statements for the year ended 31 March 2017.

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

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

Results and dividends
The results for the year are set out in detail on page 10.

The Directors do not recommend the payment of a dividend (2016: £Nil).

Going concern
The Group, of which the Company is a member, is funded through a combination of Shareholders' Funds, Unsecured Shareholders Loans, Senior Secured Notes and Second Lien Notes. At 31 March 2017, the Group had £222 million of 6.5% Senior Secured Notes due 2018, £50 million of 11% Second Lien Notes due 2019 and committed to a Revolving Credit Facility of £37.5 million which was undrawn.

After 31 March 2017 but before the signing of these financial statements, the Group completed a refinancing transaction and the gross proceeds were used to redeem in full existing Senior Secured Notes and Second Lien Notes and to pay fees incurred in connection with the transaction. The Group is now funded through a combination of Shareholders' Funds, Unsecured Shareholders Loans, Senior Secured Notes and Second Lien Notes. The Group has £215 million of 5 7/8% Senior Secured Notes due 2023, £35 million of 10% Second Lien Notes due 2023 and committed to a £45 million Revolving Credit Facility.

As part of the refinancing transaction the Group received a £28 million Equity Contribution, used £12 million of cash at bank and in hand and utilised £7 million of its £45 million Revolving Credit Facility for working capital purposes which was repaid before the signing of these financial statements.

The business has net current liabilities of £1.5 million as at 31 March 2017 (2016: £5.1 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.

Taking the above into consideration and having considered reasonably possible risks and sensitivities, including the impact of the contingent liability set out in Note 32, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

Financial risk management
Refer to note 28 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.

Private equity firm
The Group was established in 1988 under the name ''Milbury'' to provide long-term care for people with learning disabilities as a result of the UK Government's introduction of its ''Care in the Community'' policy, aimed at moving people with learning disabilities from long-term institutions, especially hospitals, into care facilities that replicate a normal domestic dwelling. In September 2001, Duke Street, a private equity firm, acquired the business. In April 2006, we were acquired by HgCapital and SL Capital Partners and in November of 2007, the business was rebranded under the Voyage name. Most recently, in August 2014, we were acquired by Partners Group and Duke Street.

Partners Group is a global private markets investment manager, serving over 900 institutional investors worldwide. Partners Group has approximately EUR 54 billion in assets under management across four asset classes—Private Equity, Private Real Estate, Private Debt and Private Infrastructure. Partners Group is listed on the SIX Swiss Exchange and had a market capitalisation of CHF 16 billion as of 13 June, 2017. It employs more than 900 professionals across 19 offices worldwide. In Private Equity, Partners Group manages assets of EUR 30 billion and has on behalf of its clients directly invested in more than 100 companies since inception. The investment focus in Private Equity is on companies with strong growth potential, profitability profile, cash generation and value-add opportunities in six core sectors, including Healthcare. Partners Group pursues a diversified and global relative value approach across geographies and industries. Recent European investments include Foncia, Vermaat and VAT Vakuumventile AG.

Duke Street has an investment strategy based on supporting the long term growth portfolio companies through investment and operational improvement initiatives. The Group were previously owned by Duke Street from 2001 to 2006. Duke Street has invested in mature, mid-market West European businesses for over 25 years and has a long and successful track record of investing in the healthcare sector, including, amongst others, investments in Oasis Dental Care, Baywater HealthCare and Medi-Globe.

The Company is ultimately majority-owned by investors where investments are managed by Duke Street LLP and Partners Group AG. As 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.

Directors
The Directors who held office during the year were:

Andrew Winning
Andrew Cannon
Philip Sealey

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

Committees of the Board
The Board has established a Quality, Safety and Risk Committee, an Audit Committee, a Remuneration Committee and an Investment Committee. The membership, purpose and responsibilities of each committee are summarised below:

Quality, Safety and Risk Committee
The functions of the Quality, Safety and Risk 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.

Audit Committee
The purpose of the Audit Committee is to review the financial statements and controls of the Group on behalf of the Board. The Committee is responsible for being assured that the principles and policies comply with statutory requirements and with the best practices in accounting standards. The Committee will also consult with the external auditors reviewing key areas, seeking to satisfy itself that the internal control and compliance environment is adequate and effective and recommending to the Board the appointment and level of remuneration of the external auditors.

The Audit Committee is chaired by the Company's non-executive chairman and, in addition comprises our Chief Executive Officer and a representative of Partners Group and Duke Street, being Andrew Deakin and Jason Lawford respectively. The Chief Financial Officer is invited to attend but is not a member of the Audit Committee.

Remuneration Committee
The function of the Remuneration Committee is to provide oversight of the terms and conditions of senior employees on behalf of the Board. The Committee is responsible for making determinations on all matters concerning the remuneration of the senior managers, amending terms of the senior managers service contract and approving, if appropriate, all proposed appointments of new senior managers.

The Remuneration Committee is chaired by the Company's non-executive chairman and, in addition comprises our Chief Executive Officer and a representative of Partners Group and Duke Street, being Andrew Deakin and Charlie Troup respectively.

Investment Committee
The purpose of the Investment Committee is to review all significant investment proposals and according to their size and the judgement of the Committee, either to decide on whether they should be pursued or to make recommendations to the Board in that respect. The Committee is responsible for ensuring that the Board is informed on the status of proposals pending and approved, reviewing selected prior investments made to evaluate returns against those anticipated and annually reviewing investment strategy and considering the best use of funds against that strategy and the returns available.

The Investment Committee is chaired by the Company's Chief Financial Officer and, in addition comprises our Chief Executive Officer, Chief Operating Officer, Commercial Director and a representative of Partners Group and Duke Street, being Andrew Deakin and Jason Lawford respectively.

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
30 June 2017

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 2017 set out on pages 10 to 38. 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 8, 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 2017 and of the Group's profit 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

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

Date: 30 June 2017

Voyage BidCo Limited
Consolidated Statement of Profit and Loss
For the year ended 31 March 2017

	Notes	2017 Underlying £000	2017 Non-underlying items (2) £000	2017 Total £000	2016 Underlying £000	2016 Non-underlying items (2) £000	2016 Total £000
Continuing operations							
Revenue		213,039	(16)	213,023	203,914	-	203,914
Operating expenses	10	(185,461)	(4,818)	(190,279)	(172,980)	(14,247)	(187,227)
Adjusted EBITDA (1)		38,650	(173)	38,477	41,292	(4,538)	36,754
Depreciation and impairment of property, plant and equipment	10	(10,377)	(4,661)	(15,038)	(9,644)	(1,199)	(10,843)
Profit on disposal of assets	10	176	-	176	298	-	298
Release of negative goodwill	10	-	-	-	-	46	46
Impairment of goodwill	10	-	-	-	-	(8,556)	(8,556)
Amortisation of intangible assets	10	(871)	-	(871)	(1,012)	-	(1,012)
Operating profit		**27,578**	**(4,834)**	**22,744**	**30,934**	**(14,247)**	**16,687**
Finance income	11	55	-	55	97	-	97
Finance expense	12	(23,730)	-	(23,730)	(24,232)	-	(24,232)
Profit / (Loss) before taxation		**3,903**	**(4,834)**	**(931)**	**6,799**	**(14,247)**	**(7,448)**
Taxation	13	853	2,134	2,987	2,572	-	2,572
Profit / (loss) for the year from continuing operations		**4,756**	**(2,700)**	**2,056**	**9,371**	**(14,247)**	**(4,876)**
Profit / (loss) attributable to equity holders of the parent		**4,756**	**(2,700)**	**2,056**	**9,371**	**(14,247)**	**(4,876)**

(1) Adjusted EBITDA represents earnings before interest, tax, depreciation and amortisation, impairments, profit on disposal of assets.

(2) Further breakdown of non-underlying items analysed in note 6.

Voyage BidCo Limited
Consolidated Statement of Other Comprehensive Income
For the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Profit / (loss) for the year		2,056	(4,876)
Items that will not be reclassified to profit and loss			
Remeasurements of the defined benefit liability	30	(3)	(2)
Deferred tax movement for the year	23	(12)	(18)
		(15)	(20)
Total comprehensive income / (expense) attributable to equity holders of the parent for the financial year		**2,041**	**(4,896)**

Voyage BidCo Limited
Consolidated Statement of Financial Position
at 31 March 2017

	Note	2017		2016	
		£000	£000	£000	£000
Non-current assets					
Goodwill	14	32,770		32,770	
Intangible assets	15	2,207		2,841	
Property, plant and equipment	16	363,630		365,459	
			398,607		**401,070**
Current assets					
Trade and other receivables	18	18,497		16,034	
Tax assets		433		302	
Cash and cash equivalents	19	21,040		17,695	
		39,970		34,031	
Assets classified as held for sale	20	1,040		2,435	
			41,010		**36,466**
Total assets			**439,617**		**437,536**
Current liabilities					
Loans and borrowings	21	-		27	
Trade and other payables	22	24,465		22,317	
Accruals and deferred income		17,587		18,682	
Provisions	24	420		286	
Other financial liabilities	27	-		220	
			42,472		**41,532**
Non-current liabilities					
Loans and borrowings	21	267,796		265,135	
Tax liabilities	23	11,209		14,189	
Provisions	24	2,539		2,833	
Employee benefits	30	145		211	
Accruals and deferred income		3,464		3,685	
			285,153		**286,053**
Total liabilities			**327,625**		**327,585**
Net assets			**111,992**		**109,951**
Equity					
Capital and reserves					
Issued share capital	25	-		-	
Share premium	26	224,872		224,872	
Retained earnings		(112,880)		(114,921)	
Total equity attributable to equity holders of the parent			**111,992**		**109,951**

These financial statements were approved by the Board of Directors on 30 June 2017 and were signed on its behalf by:

A Winning
Director

Company registered no. 05752534

Voyage BidCo Limited
Company Statement of Financial Position
at 31 March 2017

	Notes	2017 £000	2016 £000
Assets			
Non-current assets			
Investments	*17*	145,580	145,580
Total non-current assets		145,580	145,580
Current assets			
Trade and other receivables	*18*	379,315	350,894
Total current assets		379,315	350,894
Liabilities			
Current liabilities			
Trade and other payables	*22*	493,691	456,642
Total current liabilities		493,691	456,642
Net assets		31,204	39,832
Equity			
Capital and reserves			
Called up share capital	*25*	-	-
Share premium	*26*	224,872	224,872
Profit and loss account		(193,668)	(185,040)
Equity shareholders' funds		31,204	39,832

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 £8,628,000 (2016: £25,256,000).

These financial statements were approved by the Board of Directors on 30 June 2017 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 expense for the year	-	-	(4,896)	(4,896)
At 31 March 2016	**-**	**224,872**	**(114,921)**	**109,951**

For the year ended 31 March 2017

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2016	-	224,872	(114,921)	109,951
Total comprehensive income for the year				
Profit for the year	-	-	2,056	2,056
Other comprehensive income	-	-	(15)	(15)
Total comprehensive income for the year	-	-	2,041	2,041
At 31 March 2017	**-**	**224,872**	**(112,880)**	**111,992**

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 expense for the year	-	-	(25,256)	(25,256)
At 31 March 2016	**-**	**224,872**	**(185,040)**	**39,832**

For the year ended 31 March 2017

Company	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2016	-	224,872	(185,040)	39,832
Total comprehensive income for the year				
Loss for the year	-	-	(8,628)	(8,628)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the year	-	-	(8,628)	(8,628)
At 31 March 2017	**-**	**224,872**	**(193,668)**	**31,204**

Voyage BidCo Limited
Consolidated Statement of Cash Flow
For the year ended 31 March 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit / (loss) for the year	2,056	(4,876)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	15,038	10,843
Profit on disposal of non-current assets	(176)	(298)
Release of negative goodwill	-	(46)
Impairment of goodwill	-	8,556
Amortisation of intangible assets	871	1,012
Finance income	(55)	(97)
Finance expense	23,730	24,232
Tax expense	(2,987)	(2,572)
Movements in working capital:		
Increase in trade and other receivables	(1,671)	(437)
Increase in trade and other payables	2,145	3,354
(Decrease) / increase in accruals and deferred income	(2,817)	2,601
Decrease in provisions, employee benefits and other financial liabilities	(403)	(343)
Cash generated from operating activities	35,731	41,929
Interest paid	(21,024)	(20,914)
Tax paid	(133)	(360)
Net cash generated from operating activities	14,574	20,655
Cash flows from investing activities		
Interest received	50	34
Payments to acquire property, plant and equipment	(10,882)	(13,596)
Payments to acquire intangible assets	(237)	(111)
Proceeds from sales of property, plant and equipment	850	1,106
Net cash outflow on acquisition of subsidiaries	(220)	(854)
Net cash used in investing activities	(10,439)	(13,421)
Cash flows from financing activities		
Repayment of loans and borrowings	(790)	(5,000)
Payment of finance lease liabilities	-	(8)
Net cash used in financing activities	(790)	(5,008)
Net increase in cash and cash equivalents in the period	3,345	2,226
Cash and cash equivalents at the beginning of the period	17,695	15,469
Cash and cash equivalents at the end of the period	**21,040**	**17,695**

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. 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 £8,628,000 (2016: £25,256,000).

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 Group, of which the Company is a member, is funded through a combination of shareholders' funds, Unsecured Shareholders Loans, Senior Secured Notes and Second Lien Notes. At 31 March 2017, the Group had £222 million of 6.5% Senior Secured Notes due 2018, £50 million of 11% Second Lien Notes due 2019 and committed to a Revolving Credit Facility of £37.5 million which was was undrawn.

After 31 March 2017 but before the signing of these financial statements, the Group completed a refinancing transaction and the gross proceeds were used to redeem in full exisitng Senior Secured Notes and Second Lien Notes and to pay fees incurred in connection with the transaction. The Group is now funded through a combination of shareholders' funds, Unsecured Shareholders Loans, Senior Secured Notes and Second Lien Notes. The Group has £215 million of 5 7/8% Senior Secured Notes due 2023, £35 million of 10% Second Lien Notes due 2023 and committed to a £45 million Revolving Credit Facility.

The Group has net current liabilities of £1.5 million as at 31 March 2017 (2016: £5.1 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.

Taking the above into consideration and having considered reasonably possible risks and sensitivities, including the impact of the contingent liability set out in Note 32, the Directors believe it is 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.

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 - 8 years
Non-compete agreement	3 years
Brands	4 years

Purchased software that is not integral to the functionality of the related equipment is capitalised and amortised on a straight-line basis over its estimated useful life. The estimated useful life are as follows:

Computers not integral	3 years

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 2016: £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 integral	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 Group 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 year 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;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of transactions with wholly owned subsidiaries.

3 Accounting policies *continued*

Adopted IFRSs not yet applied

The following standards and interpretations were adopted in the current period as they were mandatory for the year ended 31 March 2017 but either had no material impact on the result or net assets of the Group or were not applicable:

- IAS 1 'Presentation of financial statements' - amendments relating to the Disclosure Initiative;
- IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' - amendments relating to clarification of acceptable methods of depreciation and amortisation;
- IAS 27 'Separate financial statements' - amendments relating to Equity method in separate financial statements;
- IFRS 11 'Joint arrangements' - amendments relating to acquisitions of interests in joint operations; and
- Annual improvements to IFRS 2012–2014 Cycle.

Adopted IFRS not yet applied

The following standards and interpretations have been published, endorsed by the EU, and are available for early adoption, but have not yet been applied by the Group in these financial statements. The Group does not believe the adoption of these standards or interpretations would have a material impact on the consolidated results or financial position of the Group.

- IFRS 9 'Financial instruments' – finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition; and
- IFRS 15 'Revenue from contracts with customers' – new standard and amendments.

The following standards and interpretations have been published but not yet endorsed by the EU. The Group does not believe the adoption of these standards or interpretations would have a material impact on the consolidated results or financial position of the Group:

- IAS 7 'Statement of cash flows' – amendments relating to the Disclosure Initiative;
- IAS 12 'Income taxes' – amendments relating to recognition of deferred tax assets for unrealised losses;
- IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures' - amendments relating to sale or contribution of assets between an investor and its associate or joint venture; and
- Annual improvements to IFRS 2014–2016 Cycle.

In addition to the above, IFRS 16 'Leases' has been published but not yet endorsed by the EU. Given that all operating leases with a contract life over 12 months will be treated in much the same way as a finance lease on its Statement of Financial Position, the Group is currently undertaking an impact assessment of the likely effect on the consolidated results and financial position of the Group, as it is not yet practicable to quantify the effect of IFRS 16 on these consolidated financial statements.

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 2017 was £32,770,000 (2016: £32,770,000) (see note 14).

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 2017 was £2,054,000 (2016: £2,060,000) (see note 24).

Dilapidation provision

Determining the extent of the provision requires an estimation of future dilapidation costs and a discount rate in order to calculate present value. The carrying amount of provision at 31 March 2017 was £905,000 (2016: £1,059,000) (see note 24).

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 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
- Community Based Care (formerly Supported 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 (2016: £Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profits represents adjusted 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 2017	**Registered**	**Community Based Care***	**Total**	**Other**	**Group**
	£000	**£000**	**£000**	**£000**	**£000**
Revenue	155,136	53,383	**208,519**	4,520	**213,039**
Unit EBITDA **	45,419	10,062	**55,481**	501	**55,982**
Adjusted EBITDA (before non-underlying items)	**32,797**	**5,719**	**38,516**	**134**	**38,650**
Non-underlying items					(173)
Adjusted EBITDA (after non-underlying items)					**38,477**
Depreciation and impairment of property, plant and equipment					(15,038)
Profit on disposal of assets					176
Amortisation of intangible assets					(871)
Net finance expense					(23,675)
Taxation					2,987
Profit for the period					**2,056**

	Segment results				
For the year ended 31 March 2016	**Registered**	**Community Based Care***	**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**
Adjusted EBITDA (before non-underlying items)	**33,679**	**7,387**	**41,066**	**226**	**41,292**
Non-underlying items					(4,538)
Adjusted EBITDA (after non-underlying items)					**36,754**
Depreciation and impairment of property, plant and equipment					(10,843)
Profit on disposal of 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)**

* Community Based Care formerly known as Supported Living

** Unit EBITDA represents earnings before overheads, interest, tax, depreciation, amortisation, impairments and profit on disposal of assets

6 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:

		2017 £000	2016 £000
Continuing operations			
Non-underlying items:	**Note**		
Restructuring costs	a	515	123
Integration and acquisition costs	b	51	198
Negative goodwill	c	-	(46)
Consultancy fees	d	138	518
Impairment of property, plant and equipment	e	4,661	1,199
Impairment of goodwill	f	-	8,556
Project costs	g	66	-
Day Care costs	h	(719)	3,714
Surrender of onerous leases	i	-	(15)
Refinancing transaction	j	122	-
Taxation	k	(2,134)	-
		2,700	14,247

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

(a) *Restructuring costs*
For the year ended 31 March 2017, the Group incurred costs in relation to restructuring its workforce, as a result remuneration costs of £515,000 were incurred. For the year ended 31 March 2016, the Group incurred costs with regards to simplifying its group structure, as a result professional fees of £123,000 were incurred.

(b) *Integration and acquisition costs*
For the year ended 31 March 2017, the Group incurred integration costs in relation to the transfer and operation of a number of services, as a result professional fees of £51,000 were incurred. For the year ended 31 March 2016, the Group incurred costs in relation to a number of acquisitions, as a result professional fees of £198,000 were incurred.

(c) *Negative goodwill*
Negative goodwill arises 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. The acquisition of Redcliffe the year ended 31 March 2015 resulted in negative goodwill of £46,000 (2017: £Nil).

(d) *Consultancy fees*
For the year ended 31 March 2017, the Group incurred costs in relation to professional advice and as a result consultancy fees of £138,000 were incurred (2016: £518,000).

(e) *Impairment of property, plant and equipment*
For the year ended 31 March 2017, the Group recognised an impairment charge for certain property, plant and equipment due to the carrying amount of assets exceeding its recoverable amount. As a result an impairment charge of £4,661,000 was incurred (2016: £1,199,000).

(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 (2017: £Nil) (see note 14).

(g) *Project costs*
For the year ended 31 March 2017, the Group initiated a programme to improve the quality, accuracy and support for its customers by investing in its head office and operational function, as a result fees of £66,000 were incurred (2016: £Nil).

(h) *Day Care costs*
For the year ended 31 March 2017, the Group was in receipt of funds in relation to backdated VAT on its Day Care business of £719,000 (2016: £Nil). For the year ended 31 March 2016 the Group incurred a one off cost in relation to its Day Care business, as a result £3,714,000 was charged to the Statement of Profit and Loss (2017: £Nil).

(i) *Surrender of onerous leases*
For the year ended 31 March 2016, the Group surrendered certain onerous leases, as a result £15,000 was released to the Statement of Profit and Loss (2017: £Nil).

(j) *Refinancing transaction*
For the year ended 31 March 2017, the Group initiated a refinancing transaction to redeem its existing Senior Secured Notes and Second Lien Notes, as a result professional fees of £122,000 were incurred (2016: £Nil). This was concluded subsequent to the year end (see note 34).

(k) *Taxation*
During the year ended 31 March 2017, a taxation credit of £2,134,000 arose as a result of certain non-underlying items stated in the above table (2016: £Nil).

7 Staff numbers

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

	Number of employees	
	2017	**2016**
Administration	341	290
Care staff	8,744	8,194
	9,085	8,484

8 Directors' remuneration

Remuneration paid to the Directors in respect of their services to the Company and other member companies of the Group:

	2017 £000	2016 £000
Remuneration	679	615
Pension contributions	87	67
	766	682

The remuneration of the highest paid director was £340,000 (2016: £348,000) and pension contributions of £55,000 (2016: £28,000) were made to a money purchase scheme on their behalf.

Three of the Directors active in the year accrued benefits under money purchase pension schemes (2016: three Directors).

9 Auditor's remuneration

	2017 £000	2016 £000
Audit of the Group financial statements	10	10
Audit of financial statements of subsidiaries	106	116
Audit related fees	116	126
Taxation compliance services	104	103
Other tax advisory services	68	132
Other assurance services	92	2
Corporate finance services	102	-
Other services	-	14
Non-audit fees	366	251
Total audit and non-audit fees	482	377

10 Operating profit before taxation

	2017 £000	2016 £000
Operating profit before taxation is stated after charging:		
Continuing operations		
Direct expenses and consumables	8,310	7,860
Staff costs:		
Wages and salaries	128,005	118,554
Social security costs	8,619	7,749
Other pension costs	1,466	940
Operating lease rentals:		
Other lease rentals	3,452	3,325
Plant and machinery	1,475	1,868
Depreciation	10,377	9,644
Impairment of property, plant and equipment	4,661	1,199
Impairment of goodwill	-	8,556
Profit on disposal of assets	(176)	(298)
Release of negative goodwill	-	(46)
Amortisation of intangible assets	871	1,012
Other external charges	23,938	26,864
Receipts in respect of VAT on the Group's Day Care activities	(719)	-
	190,279	187,227

11 Finance income

	2017 £000	2016 £000
Continuing operations		
Bank interest receivable	55	97

12 Finance expense

	2017 £000	2016 £000
Continuing operations		
Bank interest including RCF non-utilisation fees	660	694
Loan notes interest	22,591	22,395
Unwinding of discount on provisions (see note 24)	294	804
Other finance costs	185	339
	23,730	24,232

Loan notes interest comprises loan notes interest of £19,930,000 (2016: £19,930,000) and amortisation of issue costs and original issue discount of £2,661,000 (2016: £2,465,000).

13 Taxation

Recognised in the Statement of Profit and Loss	**2017 £000**	**2016 £000**
Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the period	-	-
Adjustments in respect of previous periods	5	(57)
	5	(57)
Deferred tax:		
Origination and reversal of timing differences	(1,929)	171
Effect of tax rate change on opening balance	254	(1,755)
Adjustments in respect of prior periods	(1,317)	(931)
	(2,992)	(2,515)
Tax on (loss) / profit on ordinary activities	(2,987)	(2,572)

Recognised directly in the Statement of Other Comprehensive Income	**2017 £000**	**2016 £000**
Current tax recognised directly in other comprehensive income	-	-
Deferred tax recognised directly in other comprehensive income	(12)	(18)
	(12)	(18)

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:

	2017 £000	**2016 £000**
(Loss) / profit on ordinary activities before taxation	(931)	(7,448)
Current tax at 20% (2016: 20%)	(186)	(1,490)
Effects of:		
Expenses not deductible for tax purposes	28	2,929
Fixed asset depreciation / impairment charges in excess of allowances	379	838
Adjustments to brought forward values	-	(611)
Losses eliminated	-	1,426
Capital losses movement	3	-
Group relief received at no cost	(1,193)	(2,495)
Adjustments in respect of prior periods	(1,312)	(988)
Timing differences not recognised on the computation	-	126
Effect of UK tax rate changes	(706)	(1,273)
Deferred tax not recognised	-	(1,034)
Total current tax credit (see above)	(2,987)	(2,572)

Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax asset/liability at 31 March 2017 has been calculated based on these rates.

14 Goodwill

	Goodwill £000
Cost	
At 1 April 2015	41,326
Impairment charge	(8,556)
At 31 March 2016	32,770
At 1 April 2016 and 31 March 2017	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 £Nil occurred during the year ended 31 March 2017 (2016: £8,556,000).

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

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

	Goodwill	
	2017 £000	2016 £000
Registered	16,244	16,244
Community Based Care (formerly Supported Living)	16,526	16,526
	32,770	32,770

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 7.30% for the Registered CGU and 7.52% for the Community Based Care CGU (2016: 8.17% and 8.17% respectively). The pre-tax discount rate 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
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% (2016: 2.00%). The recoverable amount of £476.6 million exceeded its carrying amount by approximately £142.7 million and no impairment was required (2016: impairment of £9.0 million). The impairment charge for 2016 was fully allocated against goodwill.

Community Based Care (formerly Supported Living)
The recoverable amount of this CGU was based on value in use using the assumptions stated above and a terminal growth rate of 5.00% (2016: 4.00%). The recoverable amount of £287.2 million exceeded its carrying amount by approximately £249.2 million.

Sensitivities
Whilst the impairment testing did not give rise to an impairment, management note that the calculations are sensitive to certain assumptions. The below table sets out each assumption and states the increase in percentage points each assumption requires before the carrying amount equals its recoverable:

	Changes required for carrying amount to equal recoverable amount (percentage points movement)			
	Registered		Community Based Care	
	2017	2016	2017	2016
Discount rate	+2.48%	Nm	+16.97%	+14.21%
Budgeted revenue growth per year	(1.00%)	Nm	(3.28%)	(2.20%)
Budgeted staff costs per year	+1.68%	Nm	+3.51%	+3.55%

Nm = Not meaningful due to an impairment being recognised

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.

15 Intangible assets

	Software costs £000	Customer relationships £000	Non-compete agreements £000	Brands £000	Total £000
Cost					
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
At 1 April 2016	1,264	3,062	463	27	4,816
Additions	237	-	-	-	237
At 31 March 2017	1,501	3,062	463	27	5,053
Amortisation					
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
At 1 April 2016	922	771	255	27	1,975
Provided during the year	250	467	154	-	871
At 31 March 2017	1,172	1,238	409	27	2,846
Net book value					
At 31 March 2017	329	1,824	54	-	2,207
At 31 March 2016 and 1 April 2016	342	2,291	208	-	2,841
At 1 April 2015	611	2,759	363	9	3,742

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.

16 Property, plant and equipment

	Freehold land and buildings	Fixtures, fittings and equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
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
At 1 April 2016	383,641	67,160	6,311	457,112
Additions	3,845	7,172	1,471	12,488
Transfer from assets held for sale	6,561	-	-	6,561
Assets classified as held for sale	(3,428)	-	-	(3,428)
Disposals	(12)	(151)	(348)	(511)
At 31 March 2017	390,607	74,181	7,434	472,222
Depreciation and impairment				
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
At 1 April 2016	43,665	45,761	2,227	91,653
Charge for the year	1,687	7,178	1,512	10,377
Impairment	4,661	-	-	4,661
Transfer from assets held for sale	5,118	-	-	5,118
Assets classified as held for sale	(2,807)	-	-	(2,807)
Depreciation on disposals	-	(127)	(283)	(410)
At 31 March 2017	52,324	52,812	3,456	108,592
Net book value				
At 31 March 2017	338,283	21,369	3,978	363,630
At 31 March 2016 and 1 April 2016	339,976	21,399	4,084	365,459
At 1 April 2015	342,062	20,564	1,796	364,422

The impairment charge of £4,661,000 relates to five freehold properties, of which two are in the process of being disposed (2016: impairment charge of £1,199,000 relating to three freehold properties, of which, three were 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 £69,689,000 (2016: £71,384,000) which is not depreciated and costs of £2,859,000 (2016: £1,529,000) 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.

The properties reported in the above table are subject to a registered debenture that forms security on the Group's loans and borrowings.

17 Investments

Company	**Investments in subsidiary undertakings £000**
As at 31 March 2016 and 31 March 2017	145,580

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

The registered address of the Company and its subsidiary undertakings stated above is Wall Island, Birmingham Road, Lichfield, Staffordshire. WS14 0QP.

18 Trade and other receivables

	2017		2016	
	Group £000	**Company £000**	**Group £000**	**Company £000**
Trade receivables	16,236	-	15,303	-
Impairment of receivables	(2,203)	-	(2,672)	-
Trade receivables (net)	14,033	-	12,631	-
Other receivables	2,636	-	1,759	-
Prepayments	1,160		1,062	
Intercompany receivables	668	379,315	582	350,894
	18,497	379,315	16,034	350,894

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 CCGs.

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

The Group has £1,314,000 (2016: £1,713,000) 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:

	2017 £000	2016 £000
Between 91 - 120 days	541	723
Between 121 - 150 days	485	448
Greater than 150 days	288	542
	1,314	1,713

Movement in the provision for impaired receivables:

	2017 £000	2016 £000
At 1 April	(2,672)	(1,129)
Movement in provision for impaired receivables	469	(1,543)
At 31 March	(2,203)	(2,672)

19 Cash and cash equivalents

	2017 £000	2016 £000
Cash and cash in hand	20,863	17,506
Cash held on behalf of clients	177	189
	21,040	17,695

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 £177,000 exists for this amount and is included in note 22.

20 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 2017, the assets classified as held for sale are £1,040,000 (2016: £2,435,000).

21 Loans and borrowings

	2017 £000	2016 £000
Obligations under finance lease and hire purchase contracts	-	27
Loan notes	267,796	265,135
	267,796	265,162

Loan notes include unamortised issue costs and original issue discount of £4,204,000 (2016: £6,865,000).

As at 31 March 2017 there was accrued interest of £3,312,000 (2016: £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:

	2017 £000	2016 £000
In one year or less	-	27
Between one and five years	267,796	265,135
	267,796	265,162

Loan notes

At 31 March 2017, the Group had £272 million of loan notes (issued 25 January 2013), comprising £222 million Senior Secured Notes due 2018 and £50 million of Second Lien Notes due 2019. In addition, the Group was party to a £37.5 million Revolving Credit Facility which expires 2018. 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

After 31 March 2017 but before the signing of these financial statements, the Group completed a refinancing transaction and the gross proceeds were used to redeem in full existing Senior Secured Notes and Second Lien Notes. The Group now has £215 million of 5 7/8% Senior Secured Notes due 2023, £35 million of 10% Second Lien Notes due 2023 and committed to a £45 million Revolving Credit Facility. The notes are listed on the Channel Islands Stock Exchange.

22 Trade and other payables

	2017		2016	
	Group £000	Company £000	Group £000	Company £000
Trade payables	6,160	-	6,255	-
Other taxes and social security costs	4,404	-	2,233	-
Other payables	11,668	-	11,613	-
Amounts due to related parties	2,056	493,691	2,027	456,642
Client money payable (see note 19)	177	-	189	-
	24,465	493,691	22,317	456,642

Amounts due to 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.

23 Deferred tax assets and liabilities

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2016: 18%).

Group
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Property, plant and equipment	3,306	-	(17,968)	(20,116)	(14,662)	(20,116)
Intangible assets	272	-	(274)	(450)	(2)	(450)
Employee benefits	25	37	-	-	25	37
Un-utilised losses	3,699	2,172	-	-	3,699	2,172
Other	52	4,168	(321)	-	(269)	4,168
Deferred tax assets / (liabilities)	7,354	6,377	(18,563)	(20,566)	(11,209)	(14,189)
Offset of tax	(7,354)	(6,377)	7,354	6,377	-	-
Net deferred tax assets / (liabilities)	-	-	(11,209)	(14,189)	(11,209)	(14,189)

Movements in deferred tax during the year:

	At 1 April 2016 £000	Recognised in: Profit and loss £000	Recognised in: Changes in OCI £000	At 31 March 2017 £000
Property, plant and equipment	(20,116)	5,454	-	(14,662)
Intangible assets	(450)	448	-	(2)
Employee benefits	37	-	(12)	25
Un-utilised losses	2,172	1,527	-	3,699
Other	4,168	(4,437)	-	(269)
Deferred tax liabilities	(14,189)	2,992	(12)	(11,209)

Movements in deferred tax during the prior year:

	At 1 April 2015 £000	Recognised in: Profit and loss £000	Recognised in: Changes in OCI £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)

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.

24 Provisions

Group	**2017 £000**	**2016 £000**
Current	420	286
Non-current	2,539	2,833
Onerous leases and dilapidations	2,959	3,119

The movement in provisions were:	**Onerous leases and dilapidations £000**
At 1 April 2016	3,119
Amounts reversed in the year	(203)
Utilisation of provision	(251)
Unwinding of discounted amount	294
At 31 March 2017	2,959

The onerous lease and dilapidation provisions recognised will unwind over the term of the leases.

25 Share capital

Group and Company	**2017 £000**	**2016 £000**
Allotted, called up and fully paid:		
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.

26 Share premium

Group and Company	**2017 £000**	**2016 £000**
At 1 April 2016 and 31 March 2017	224,872	224,872

27 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 2017					
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	218,981	-	-	218,981	220,046
Second Lien Loan Notes	48,815	-	-	48,815	49,205
	267,796	-	-	267,796	269,251
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

Loan notes include unamortised issue costs and original issue discount of £4,204,000 (2016: £6,865,000).

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either as a direct price or indirectly derived from prices.
- Level 3: inputs for the asset or liability that are not based on observable market data.

Financial liabilities measured as fair value

At 31 March 2017
There were no financial instruments carried at fair value as at 31 March 2017.

At 31 March 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Contingent consideration	-	-	220	220

28 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
At 31 March 2017, the Group had £222 million of 6.5% Senior Secured Notes due August 2018 and £50 million of 11% Second Lien Notes due February 2019 in issue. 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 Group records these Notes at the amortised cost and therefore the Group's future performance would not be impacted by any future rate changes.

In addition the Group had access 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.

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.

Subsequent to the year end, the Group completed a refinancing transaction and the gross proceeds were used to redeem in full the Senior Secured Notes and Second Lien Notes. The Group now has £215 million of 5 7/8% Senior Secured Notes due 2023, £35 million of 10% Second Lien Notes due 2023 and committed to a £45 million Revolving Credit Facility. The risks identified above apply to the new Loan Notes and Revolving Credit Facility.

Price risk
Voyage Care 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 CCGs account for almost our entire revenue. 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 low given that the majority of our revenue 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 CCGs.

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 short term and long 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 year end the Group was not in breach of any financial covenants.

The following table shows the Group's exposure to liquidity risk as at 31 March 2017 regarding the existing Notes and Revolving Credit Facility:

	Carrying amount	Total	0-1 year	1-2 years	2 years or more
	£000	£000	£000	£000	£000
Senior Secured Loan Notes	218,981	222,000	-	222,000	-
Second Lien Notes	48,815	50,000	-	50,000	-
	267,796	272,000	-	272,000	-

29 Commitments

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

	2017		2016	
	Land and buildings	**Other assets**	**Land and buildings**	**Other assets**
	£000	**£000**	**£000**	**£000**
Operating leases which expire:				
Within one year	2,927	667	2,839	1,139
Between two and five years	8,377	191	9,011	769
Five years	17,780	-	23,963	-
	29,084	858	35,813	1,908

During the year £4,927,000 was recognised as an expense in the Statement of Profit and Loss in respect of operating leases (2016: £5,193,000).

30 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 14.4% and 19% 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 2017 was £1,466,000 (2016: £940,000). An amount of £182,000 (2016: £161,000) 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 2017. The major assumptions used in this valuation were:

	2017	2016
	%	**%**
Rate of increase in salaries	4.4	4.0
Rate of increase in pensions in payment	3.4	3.0
Discount rate	2.5	3.4
Inflation assumption	3.4	3.0

The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 20.3 years (male), 22.2 years (female).

Future retiree upon reaching 65: 21.6 years (male), 23.7 years (female).

The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

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 2017	Value at 31 March 2016
	£000	**£000**
Fair value of plan assets		
Fair value of plan assets	1,407	1,133
Present value of scheme liabilities	(1,259)	(982)
Net defined benefit asset	148	151
Effect of asset ceiling / minimum funding requirement	(293)	(362)
Net recognised defined benefit liability	**(145)**	**(211)**

30 Pension schemes *continued*

Movements in present value of defined benefit obligation:

	2017 £000	2016 £000
At 1 April	982	1,011
Current service cost	10	9
Interest expense	33	33
Remeasurement arising from:		
Financial	254	(35)
Demographic	-	(8)
Experience	(20)	(28)
Contributions by members	-	-
Benefits paid	-	-
At 31 March	1,259	982

Movements in fair value of plan assets:	2017 £000	2016 £000
At 1 April	1,133	1,069
Interest income	39	36
Actual return on plan assets, excluding interest income	150	(57)
Contributions:		
By employer	85	85
By members	-	-
Benefits paid	-	-
At 31 March	1,407	1,133

Analysis of amounts recognised in the Statement of Profit and Loss:

	2017 £000	2016 £000
Current service cost	10	9
Interest on present value of defined benefit obligation	(33)	(33)
Interest on fair value of plan assets	39	36
	16	12

Analysis of amounts recognised in Other Comprehensive Income:

	2017 £000	2016 £000
Remeasurement of defined benefit obligation	234	(71)
Return on plan assets, excluding amounts included in net interest	(150)	57
Change in effect of the asset ceiling, excluding amounts included in net interest	(81)	16
	3	2

History of plans

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

Statement of Financial Position	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Present value of scheme liabilities	(1,259)	(982)	(1,011)	(818)	(846)
Fair value of scheme assets	1,407	1,133	1,069	1,000	853
Surplus / (deficit)	148	151	58	182	7

The Company expects to contribute approximately £77,000 (2016: £77,000) to its defined benefit plans in the next financial year.

31 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 (2016: £225,000) were paid and £Nil (2016: £75,000) was accrued and expenses of £Nil (2016: £4,500) were paid to Duke Street LLP.
- Consultancy fees of £300,000 (2016: £300,000) were accrued and expenses of £Nil (2016: £Nil) were paid to Partners Group AG.

32 Contingent liabilities

Security granted on Revolving Credit Facility
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.

Potential liability in relation to sleep in shifts
The Group operates a number of sites where individuals “sleep-in” overnight and are paid an allowance for doing so. HMRC published guidance on National Minimum Wage (NMW) and sleep-ins has been clear that it does not consider sleep-ins to be working time for the purposes of NMW. However, the Directors are aware that the NMW regulations have been interpreted differently in respect of some aspects of their application, particularly in relation to sleep-in shifts. The application of NMW regulations in relation to sleep-in shifts within the care sector has also recently received media coverage and been the subject of further legal decisions by the Employment Appeal Tribunal. HMRC have made preliminary enquiries of Voyage Care and it is not possible to determine what the result of the enquiries may be. If Voyage are required to pay individuals engaged in sleep-ins an amount by reference to NMW regulations, the amount may be material.

The Directors believe, based on external legal advice and past communication with HMRC, that paying staff an allowance for sleep-in shifts is not in breach of the National Minimum Wage Act 1998 or the National Minimum Wage Regulations 2015 (as amended and in force). In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, no provision has been recognised in these accounts for backdated liabilities. Furthermore as the exact nature or extent of HMRCs enquiries are not known, in the Directors’ opinion the value of the potential Contingent Liability cannot be reliably quantified.

33 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 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

34 Post balance sheet event

After 31 March 2017 but before the signing of these financial statements, the Group completed a refinancing transaction and the gross proceeds were used to redeem in full existing Senior Secured Notes and Second Lien Notes. The Group now has £215 million of 5 7/8% Senior Secured Notes due 2023, £35 million of 10% Second Lien Notes due 2023 and committed to a £45 million Revolving Credit Facility. The notes are listed on the Channel Islands Stock Exchange.