Voyage BidCo Limited

Results for year ended 31 March 2019

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 (previously Viking 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 2019:

£ million	**FYE 2019**	**FYE 2018**
Revenue	249.8	229.0
EBITDA (before non-underlying items)	41.2	36.7
Operating profit	22.5	18.6
Loss for the period	2.2	(9.2)
Cash flow from operating activities *	32.7	28.4
Net Debt:		
Senior Secured Notes	215.0	215.0
Second Lien Notes	35.0	35.0
Revolving credit facility	23.0	15.0
Unamortised original issue discount on Second Lien Notes	0.0	0.0
Gross Debt	273.0	265.0
Cash at bank and in hand	(18.7)	(16.9)
Restricted cash & deferred consideration	1.4	1.3
Total	255.7	249.4
Net Debt / EBITDA (before non-underlying items) **	6.20x	6.80x

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

Commentary on results

Operating performance in line with expectations, the key highlights of which are:

Performance during FYE 2019 vs. FYE 2018

- Revenue increased 9.1% to £249.8 million primarily due to growth in both our registered and community based care businesses.
- EBITDA increased 12.3% to £41.2 million primarily due to growth in both our registered and community based care businesses, IFRS16 adoption, partially offset by increases in staff costs as a result of the impact of National Minimum Wage.
- CQC quality scores remain very high with 96% of services achieving a Good or Outstanding rating.
- Registered average occupancy was 93.9% compared to 92.4% in FYE 2018.
- Community based care average weekly care hours increased by 12,100 hours, closing at 91,300 hours
- Our legal advice regarding the Court of Appeal ruling, Royal Mencap v Tomlinson Blake, (March 2018) being overturned by the Supreme Court is that it is unlikely. Nonetheless, given inter alia that the Appeal is now to be heard, the Board has decided that it is appropriate at this stage to make a contingent liability disclosure.

Recent developments

- On 31 May 2019 we exercised our option to acquire the remaining 6% of the share capital of Focused Healthcare. Nikki Nicholls, the company's founder has now stepped down after spending the last 18 months ensuring a smooth transition of the business. In June 2019, Eileen Lock joined as Managing Director of Focused Healthcare.
- Acquisition of Fox Elms Care Limited, on 2 July 2019, a specialist supported living care company in Gloucester for £2.4m. The run-rate EBITDA at acquisition was £0.5m representing an opening leverage of 4.5x. The deal has been entirely financed from the RCF.

Company Overview

We are the leading provider of registered care homes, measured in terms of beds, with a growing presence in community based care services for adults with learning disabilities and other related complex and challenging support needs across the UK. The vast majority of people we support have life-long conditions and high acuity needs, which have been assessed as either 'critical' or 'substantial' by Local Authorities and the NHS and therefore require on-going care services to help them look after themselves.

- We supported 3,393 people as at 31 March 2019, comprising 1,927 through our registered care home division and a further 1,466 through our growing community based care service division.

- The typical person we support in each of our divisions is between the ages of 18 and 65 and has high dependency needs. Our registered care home division typically provides at least two support staff members for every three individuals. This level of support is reflected in our average weekly fee of £1,699 per person for the twelve months ended 31 March 2019. Our community based care services division, as at 31 March 2019, delivered approximately 91,000 hours of care per week. The provision of support averaged approximately 63 hours per week per person at an average hourly rate of £17.30 for the last twelve months ended 31 March 2019.

- 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. Quality scores remains high, with 96% 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.

- With approximately 10,700 staff, we strive to meet the requirements of each person we support and develop bespoke care packages tailored to their needs.

Our services

Our focus on quality of care services is core to all of our operations. The learning disability sector in which we operate is both highly regulated and fragmented. We are one of the few larger providers operating exclusively in this sector and specialising in providing care support for people with complex, high acuity support needs.

Our business is aligned into two divisions based on the type of setting in which care is provided; our registered care home division where the home is directly registered with CQC, and our community based care services division where the community based care office is registered with the CQC and the care and support we provide is in the persons own home. Our business divisions complement the regulatory and delivery models of our services and provide flexibility to suit the needs of the people we care for. Our divisions are as follows:

- ***Registered care homes***

  We provide care to individuals in our 268 registered homes as at 31 March 2019. We hold the freehold interest in 229 of our registered homes and 4 of our registered homes are held on a long leasehold basis (each with a lease period of over 35 years remaining), collectively representing 89% of our registered homes by number of beds. At 31 March 2019 we had 2,053 beds in our registered properties with an average of 8 beds per property, providing a personal environment.

- ***Community based care services***

  Our community based care services division operates out of 37 registered Domiciliary Care Agencies (DCA) as at 31 March 2019. Typically the people we support in our community based care services division live in individual or communal accommodation provided by government agencies or registered social landlords that are registered with the Homes and Communities Agency. Included within Community based care is Focused Healthcare (unless otherwise stated within this report), which supports young individuals living with their families who require specialist care or nursing.

Employees

Like all service companies, the key to the Group's success is the skills and capabilities of the people we employ.

The Group recognises the recruitment, training and retention of skilled employees is critical to its success. As a result, we have continued to invest in training, approximately £2.3 million in the year ended 31 March 2019 (2018: £2.1 million), in order to ensure that employees 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 the Group's employees to gain the necessary skill set, knowledge and confidence to achieve Voyage Care's high standards of care for the people we support. The Group's 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; employee turnover is closely monitored and exit interviews performed to identify underlying trends.

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

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:

Name	Job Title
Gavin Simonds	Non-executive Chair
Andrew Cannon	Chief Executive Officer
Jayne Davey	Chief Operating Officer
Shaun Parker	Chief Financial Officer

Executives of the Investors:

Name	Job Title
Andrew Deakin	Investor Director - Partners Group
Dr Remy Hauser	Investor Director - Partners Group
Stuart McMinnies	Investor Director - Duke Street
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.

<u>**Executives of the Company**</u>

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.

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.

Shaun Parker (Chief Financial Officer) is an experienced finance professional with over 20 years in Finance Director and Chief Financial Officer roles. During this time Shaun has worked for Mars Petcare in the UK and Germany, Diageo in the USA and UK, and CPP Group in the UK. Most recently Shaun was CFO of Tunstall Healthcare Group, the leading provider of alarm equipment and response solutions to support elderly and vulnerable people in their homes. Shaun has extensive experience of finance leadership in growing businesses as well as leading corporate transactions, including numerous refinancing, an IPO, and mergers and acquisitions.

<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.

Stuart McMinnies (Investor Director – Duke Street) has been a director of Voyage Care HoldCo Limited since November 2018. Stuart joined Duke Street in 2015 and is a Managing Partner. At Duke Street he has worked on a number of deals, including leading the acquisition of two businesses to create Ardent Hire Solutions. Stuart joined Duke Street from 3i plc, where he had worked since 1995, becoming a Partner in 2003. While there he led some of 3i's most successful ever deals, including ABX, SR Technics and Fonecta as well as representing it on the boards of Foster + Partners and Asia Capital Reinsurance. Stuart has a degree in Mechanical Engineering from Southampton University 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.

Executive Committee

The following individuals are members of the Executive Committee:

Name	Job Title
Andrew Cannon	Chief Executive Officer
Jayne Davey	Chief Operating Officer
Shaun Parker	Chief Financial Officer
Matthew Flinton	Commercial Director
Amanda Griffiths	Director of Quality

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.

Regional Managing Directors

The following individuals are Regional Managing Directors:

Name	Job Title
Alan Marshall	Managing Director, Central West
Antonella Laurenti	Managing Director, Central East
Ayesha Trott	Managing Director, South East
Brian Flynn	Managing Director, North
David Green	Managing Director, South
Ellen Poynton	Managing Director, South West
Nicki Nicholls	Managing Director, Focused Healthcare

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.

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.

Ayesha Trott (Managing Director, South East) joined in May 2015. Ms. Trott trained as a learning disability nurse and has worked within 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.

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.

Ellen Poynton (Managing Director, South West) joined Voyage in March 2017. 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 a 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.

Nicki Nicholls (Managing Director – Focused Healthcare Ltd) joined Voyage in August 2017 through the acquisition of Focused Healthcare Ltd. With over 30 years' experience in the NHS, Local Authorities and Private sector, Nicki oversees a team of Clinical Nurse Managers, Paediatric Nurses and Healthcare Assistants who are highly skilled and competent in the intricacies of caring for children and young people with complex health needs in their own homes, respites, hospices, adventure playgrounds, special needs schools and foster placements. Her life's work has been committed to the philosophy of 'Every Child Matters' and the five outcomes for children – be healthy, stay safe, enjoy and achieve, make a positive contribution, achieve economic wellbeing.

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 2019, consultancy fees and expenses were paid as follows:

- Consultancy fees of £192,000 (2018: £300,000) and expenses of £62,000 (2018: £Nil) were paid to Duke Street LLP; and
- Consultancy fees of £192,000 (2018: £300,000) were accrued and expenses of £Nil (2018: £Nil) were paid to Partners Group AG.
- Partners Group AG is the parent company of Chambertin (Holdings) Limited and its subsidiaries. Civica UK Limited, a subsidiary of Chambertin (Holdings) Limited supplied software solutions including licence fees to the Voyage Care Group; fees of £268,000 were paid and £Nil was outstanding as at 31 March 2019 (2018: £331,000 and £Nil respectively).

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 2019 ("FYE 2019") and 31 March 2018 ("FYE 2018").

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

- 'cash conversion' means EBITDA less maintenance capital expenditure divided by EBITDA;
- 'EBITDA' means earnings before non-underlying items, interest, tax, depreciation (including profit and loss on disposal of non-current assets) and amortisation;
- 'EBITDA margin' means EBITDA divided by revenue;
- 'EBITDA after non-underlying items' means EBITDA adjusted by the effects of certain non-underlying charges
- 'EBITDAR' means EBITDA before rent expense;
- 'EBITDAR margin' means EBITDA before rent expense divided by revenue;
- 'EBITDAR after non-underlying items' means EBITDA after non-underlying items and before rent expense; and
- 'Unit EBITDA' means EBITDA before overhead expenses, which we believe is a useful indicator of EBITDA on a divisional basis.

We believe that EBITDA, EBITDAR and Unit EBITDA 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 profitability.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. We believe that EBITDAR is a common measure in our industry because it allows comparability across the sector for operations regardless of whether a business leases or owns its properties.

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

Other data

Available beds

Our results of operations are impacted by the number of beds at certain locations as bed capacity determines the maximum number of people that can be cared for in our registered 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.

Occupancy

Occupancy presented in this Annual Report represents the total number of beds occupied in our registered division as at the end of the relevant period unless otherwise stated.

Occupancy rates

Occupancy rates presented in this Annual Report represent the percentage of the total number of beds occupied in our registered division as at the end of the relevant period unless otherwise stated.

Community based care services

Our results of operations are impacted by the number of people supported in our community based care services division at any given time. The number of people supported in our community based care services division is presented in this Annual Report as at the end of the relevant period unless otherwise stated.

Fee rates

Fee rates depend on the service that is being provided and the funder that is paying for the care package and is dependent on the nature of the pricing agreement in place. The fee rates for our registered care home division refer to the average weekly fees in a given period. The fee rates for our community based care services division refer to average hourly rates charged to a funder per carer in a given period.

Adjustments

Certain numerical information and other amounts and percentages presented in this 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 services 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 our available beds and community based care placements can have a significant effect on our results 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 hours that we are asked to provide at any given time.

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

	FYE 2019	FYE 2018
Registered	2,038	2,056
Community based Care	1,550	1,353
Total	**3,588**	**3,409**

Occupancy rate

Our occupancy rates reflect the demand for our services, which is principally driven by our relationships with Local Authorities and NHS, reputation for quality, the ability to offer bespoke and complex care packages and flexibility to adapt the environment of our registered homes to suit the individual needs of the people we support. 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 2019	FYE 2018
Registered	93.5%	91.3%

Fee rates

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

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

		LTM March	
		2019	2018
Registered	£wk	1,699	1,643
Community based Care	£hr	17.30	16.47

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 increased in April 2019);
- 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 2019	FYE 2018
Staff Costs *	£m	170.5	152.4
% Revenue		68.3%	66.6%
% Operating costs **		80.3%	79.1%

		FYE 2019	FYE 2018
Staff Costs (excluding central overheads) *	£m	155.4	138.8
% Revenue		62.2%	60.6%
% Operating costs **		73.2%	72.1%

* *Staff costs stated before non-underlying items*

** *Excludes depreciation and impairment of property, plant and equipment, profit/(loss) on disposals of non-current 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 agency costs, occupancy-related costs such as food and consumables, and non-occupancy-related costs such as rent, council tax, utilities (gas, electricity and water), property maintenance, insurance, vehicle rental and running costs.

Consolidated statement of profit & loss

£ million	Pre-IFRS16 FYE 2018	Pre-IFRS16 FYE 2019	Pre-IFRS16 % Growth	IFRS16 FYE 2019
Revenue	**229.0**	**249.8**	**9.1%**	**249.8**
Staff costs	(152.4)	(170.5)	(11.9%)	(170.5)
Agency Costs	(8.1)	(8.3)	(2.5%)	(8.3)
Direct expenses & consumables	(7.4)	(7.7)	(4.1%)	(7.7)
Property lease rentals	(3.9)	(4.0)	(2.6%)	(0.5)
Other lease rentals	(1.1)	(0.7)	36.4%	(0.5)
Other external charges	(19.4)	(21.1)	(8.8%)	(21.1)
EBITDA	**36.7**	**37.5**	**2.2%**	**41.2**
Non-underlying items	(0.2)	(1.3)	nm	(1.3)
EBITDA after non-underlying items	36.5	36.1	(1.1%)	39.9
Depreciation & impairment of property, plant and equipment	(16.1)	(12.0)	25.5%	(15.3)
Profit on disposal of non-current assets	(0.0)	0.3	nm	0.3
Amortisation of intangible assets	(1.8)	(2.3)	(27.8%)	(2.3)
Operating profit	**18.6**	**22.1**	**18.8%**	**22.5**
Finance income	0.1	0.1	(0.0%)	0.1
Finance expense	(29.2)	(18.7)	36.0%	(19.5)
Profit/(Loss) before taxation	**(10.6)**	**3.5**	**nm**	**3.1**
Taxation	1.4	(0.9)	nm	(0.9)
Profit/(Loss) for the period	**(9.2)**	**2.5**	**nm**	**2.2**
Other financial metrics				
Staff costs (excluding central overheads)	138.8	155.4	(12.0%)	155.4
Overhead expenses & bonus	19.5	20.7	(6.2%)	20.7
Unit EBITDA	56.2	58.2	3.6%	61.9
Unit EBITDA margin %	24.5%	23.3%	(1.2%)	24.8%
EBITDA margin %	16.0%	15.0%	(1.0%)	16.5%
EBITDAR	40.6	41.5	2.2%	41.7
EBITDAR margin %	17.7%	16.6%	(1.1%)	16.7%
EBITDAR after non-underlying items	40.4	40.2	(0.5%)	40.4
EBITDAR after non-underlying items margin %	17.6%	16.1%	(1.5%)	16.2%

** Pre-IFRS16 FYE 2019 numbers are unaudited*

Revenue

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

- FYE 2019 revenue increased by £20.8 million, or 9.1% to £249.8 million from £229.0 million for FYE 2018, primarily due to like for like growth in the business (£12.0 million or 5.2%), the purchase of Focused Healthcare (£4.1 million or 1.8%) and fee increases (£4.7 million or 2.1%).

Staff costs

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

- Staff costs (excluding overheads) for FYE 2019 increased by £16.6 million, or 12.0% to £155.4 million (which represented 62.2% of revenue) from £138.8 million (which represented 60.6% of revenue) for FYE 2018, primarily due to staff required to support the growth in our business (£11.0 million) and increases in staff costs as a result of National Minimum Wage increase (£5.9 million).

Agency costs

Agency costs consist of expenditure on third party suppliers who provide Voyage with staff to carry out the day to day operations of the business.

- Agency costs for FYE 2019 increased by £0.2m, or 2.5% to £8.3m from £8.1m for FYE 2018.

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 2019 direct expenses and consumables increased by £0.3 million, or 4.1% to £7.7 million from £7.4 million for FYE 2018.

Property lease rentals

Property lease rentals consist primarily of leases on registered care homes and community based care services. At 31 March 2019, we had 47 short-term leases, consisting of 35 registered care homes, 12 registered community based care offices. In addition, 4 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 2019, 13.1% of our registered care homes were held under operating leases.

- FYE 2019 property lease rentals decreased by £3.4 million, or 87.2% to £0.5 million from £3.9 million for FYE 2018. The decrease is primarily as a result of the IFRS16 adoption.

Other lease rentals

Other lease rentals consist primarily of motor vehicle leases. We currently lease approximately 190 vehicles, which are primarily used to transport the people we support.

- FYE 2019 other lease rentals decreased by £0.5 million, or 54.5%, to £0.5 million from £1.1 million for FYE 2018. The decrease is primarily as a result of the IFRS16 adoption.

Other external charges

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

- FYE 2019 other external charges increased by £1.7 million, or 8.8%, to £21.1 million from £19.4 million for FYE 2018, broadly consistent with the growth in our business.

EBITDA

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

- FYE 2019 EBITDA increased by £4.5 million, or 12.3% to £41.2 million from £36.7 million for FYE 2018. This increase is due to the extra contribution generated from the growth in our business, the purchase of Focused Healthcare along with fee increases and the adoption of IFRS16, partially offset by increases in staff costs as a result of certain inflationary pay rises, National Minimum Wage, and increased spend on professional fees.

Non-underlying items

Non-underlying items include certain one-off cash and non-cash charges which are non-recurring.

- FYE 2019 non-underlying items were £1.3 million (FYE 2018: £0.2 million). Non-underlying items for FYE 2019 primarily driven by costs incurred in the issue and reclassification of loan notes and one off project costs to invest in head office and operational functions.

EBITDA after non-underlying items

EBITDA after non-underlying items is not a recognised performance measure under IFRS and may not be directly comparable with similar measures used by other companies.

- FYE 2019 EBITDA after non-underlying items increased by £3.4 million, or 9.3% to £39.9 million from £36.5 million for FYE 2018.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment comprises the write off of the cost of property, plant and equipment 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 2019 depreciation and impairment of property plant and equipment decreased by £0.8 million, or 5.0% to £15.3 million from £16.1 million for FYE 2018.

Profit on disposal of non-current assets

Profit on disposal of non-current assets represents the difference between the net disposal proceeds received and the net book value of non-current assets at the time of disposal.

- FYE 2019 the profit on the disposal of non-current assets was £0.3 million (FYE 2018: £Nil).

Amortisation of 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.

- FYE 2019 amortisation of intangible assets increased by £0.5 million to £2.3 million from £1.8 million for FYE 2018, this is in relation to the purchase of Focused Healthcare.

Operating (loss) / profit

Operating (loss) / profit consists of earnings before interest and taxation.

- FYE 2019 operating profit increased by £3.9 million to £22.5 million from £18.6 million for FYE 2018.

Finance income

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

- FYE 2019 interest receivable and other income remained constant at £0.1 million when compared to FYE 2018.

Finance expenses

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

- FYE 2019 interest payable and similar charges on bank loans reduced by £9.7 million to £19.5 million primarily as a result of the group incurring redemption penalties from the refinancing transaction in the prior year.

Profit/Loss before taxation

Profit/Loss before taxation represents the result of the statement of profit and loss before provision for taxation.

- FYE 2019 profit before taxation increased by £13.6 million to £3.1 million from a loss of £10.6 million for FYE 2018, the increase is primarily due to refinancing activity costs in the prior year.

Taxation

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

- For FYE 2019 a taxation charge of £0.9 million was recognised compared to taxation credit of £1.4 million for FYE 2018.

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 2019 profit for the year increased by £11.4 million to £2.2 million from a loss of £9.2 million for FYE 2018, the increase is primarily due to refinancing activity costs in the prior year.

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 are sufficient to meet our requirements and commitments for the coming year.

At 31 March 2019 and 31 March 2018, our cash balances were £18.7 million and £16.9 million, respectively.

Net bank debt as at 31 March 2019 was £255.7 million, comprising £250.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £23.0 million borrowing under the Revolving Credit Facility and £18.7 million of cash. Within the £18.7 million cash balance is £1.4 million of restricted cash which is excluded from cash for the purposes of calculating the net debt. We have undrawn committed facilities of £22.0 million in the RCF of £45m. The resulting leverage was 6.20x.

Net bank debt as at 31 March 2018 was £249.4 million, comprising £250.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £15.0 million of borrowings under the Revolving Credit Facility and £16.9 million of cash. Within the £16.9 million cash balance is £1.3 million of restricted cash which is excluded from cash for the purposes of calculating the net debt. The resulting leverage was 6.80x.

Leverage as at 31 March 2019 (calculated as defined in the legal financing documentation) was 6.20x. With the inclusion of IFRS16 lease liability, the leverage increases to 6.76x. Prior to the IFRS16 restatement, the leverage was 6.82x.

Consolidated statement of cash flow

£ million	FYE 2019	FYE 2018	% Change
EBITDA before non-underlying items	41.2	36.7	12.3%
Maintenance capex	(8.5)	(8.2)	3.7%
Operating cash flow	**32.7**	**28.4**	**15.1%**
Cash conversion %	*79.4%*	*77.6%*	*1.8%*
Non-underlying items (1)	(1.3)	0.1	nm
Working capital	(1.1)	(1.5)	(26.7%)
Interest	(17.2)	(14.5)	(18.6%)
Taxation	(1.0)	(0.5)	nm
FCF before Development Capex, Acquisitions and Financing	**12.1**	**12.1**	**0.0%**
Capital expenditure (2)	(12.1)	(6.0)	nm
FCF before Acquisitions and Financing	**0.0**	**6.1**	**nm**
Acquisition (3)	(2.3)	(17.8)	87.1%
Acquisition integration costs	0.0	(0.3)	nm
Acquisition capex	0.0	0.0	nm
FCF before Financing	**(2.2)**	**(12.0)**	**(81.7%)**
Net cash flow used in financing activities	8.0	7.9	1.3%
Property and vehicle lease payments	(4.0)	0.0	nm
Movement in cash for the period	**1.8**	**(4.1)**	**nm**
Opening cash and cash equivalents	16.9	21.0	19.5%
Closing cash and cash equivalents	**18.7**	**16.9**	**10.7%**
Other financial metrics			
Development capex (£m)	3.2	4.7	(32.6%)
Maintenance capex, excluding IT spend (£m)	7.0	6.1	(14.1%)
Maintenance capex, excluding IT spend (% revenue)	2.8%	2.7%	0.1%
Maintenance capex, excluding IT spend (£k pa per registered bed)	3.7	3.3	(12.4%)

(1) Excludes cash flows in relation to acquisition integration costs

(2) Net of disposal proceeds and includes development capital expenditure and capital expenditure with respect to supporting our head office function. Excludes cash flows in relation to acquisition capital expenditure

(3) Includes net overdraft acquired with subsidiaries

Operating cash flow

- FYE 2019 operating cash flow increased by £4.3 million, or 15.1% to £32.7 million from £28.4 million for FYE 2018. The increase is primarily due to a £4.5 million increase in EBITDA.

Non-underlying items

- FYE 2019 non-underlying items increased by £1.4 million to an outflow of £1.3 million from an inflow of £0.1 million when compared with FYE 2018. The increase is primarily driven by costs incurred in the issue and reclassification of loan notes and one off project costs to invest in head office and operational functions.

Working capital

- FYE 2019 working capital outflow decreased by £0.4 million to £1.1 million from an outflow of £1.5 million for FYE 2018.

Interest

- FYE 2019 interest payable increased by £2.7 million to £17.2 million from £14.5 million when compared to FYE 2018 due to change in timing of interest payments and draw downs on the RCF facility.

Taxation

- For FYE 2019 we paid £1.0 million in relation to corporation tax payments made on account for the financial year 31 March 2018 (FYE 2018: £0.5 million outflow).

Free Cash Flow before Development Capex, Acquisitions and Financing

- FYE 2019 Free Cash Flow before Development Capex, Acquisitions and Financing was consistent with FYE 2018, remaining strong at £12.1 million.

Capital expenditure

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.

- FYE 2019 capital expenditure increased by £6.1 million to £12.1 million from £6.0 million for FYE 2018, primarily due to the completion of freehold purchase of the Hindhead site.

Acquisition

- For FYE 2019 there was £2.3 million outflow on acquisitions, this relates to purchasing three registered services in the North of England, Project Regal (FYE 2018: £17.8 million for Focused Healthcare).

Acquisition Integration

- For FYE 2019 there was £Nil outlay on acquisition integration (FYE 2018: £0.3 million for Focused Healthcare).

Net cash flow used in financing activities

- FYE 2019 net cash flow used in financing activities was a £8.0 million inflow compared to a £7.9 million inflow for FYE 2018. The £8.0m in FYE2019 is due to drawdowns on our RCF Facility.

Property and vehicle lease payments

- During FYE2019 we made £4.0 million of lease payments under IFRS16 (reported within EBITDA in FYE 2018).

Contractual obligations

The following table summarises our material contractual obligations at 31 March 2019. 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	0-1 year	1-2 years	2 years or more	Total
Senior Secured Notes (1)	-	-	215.0	215.0
Second Lien Notes (2)	-	-	35.0	35.0
Revolving Credit Facility (3)	23.0			23.0
Total	**23.0**	**0.0**	**250.0**	**273.0**

(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) The Revolving Credit Facility was partially drawn over a term of less than 1 year

Consolidated statement of financial position

£m	FYE 2019	FYE 2018	% Change
Non-Current Assets	436.0	411.3	6.0%
Current Assets			
Trade and Other Receivables, Prepayments	26.2	23.3	12.5%
Cash at bank and in hand	18.7	16.9	10.4%
Assets classified as held for sale	2.5	1.8	36.6%
Total Assets	**483.3**	**453.4**	**(6.6%)**
Non-current liabilities			
Loan Notes	263.6	242.0	(9.0%)
Tax Liabilities	10.9	10.8	(1.2%)
Accruals and Deferred Income	0.0	3.8	100.0%
Provisions for liabilities and charges	0.8	3.4	77.2%
Current Liabilities	74.6	62.8	(18.8%)
Equity	133.4	130.6	(2.1%)
Total Equity and Liabilities	**483.3**	**453.4**	**(6.6%)**

** Receivables in March 2019 include £1.0 million of intercompany loans (March 2018: £1.0 million), and current liabilities in March 2019 include £2.1 million of intercompany loans (March 2018: £2.1 million).*

*** Loan notes include unamortised issue costs of £6.7 million (March 2018: £8.1 million).*

Key Business Divisions

£ million	Revenue FYE 2019	FYE 2018	% Change
Registered	167.7	159.7	5.0%
Community Based Care	71.9	63.3	13.6%
Focused Healthcare	10.1	6.0	68.3%
Total	**249.8**	**229.0**	**9.1%**

£ million	EBITDA FYE 2019	FYE 2018	% Change
Registered	32.5	28.7	13.2%
Community Based Care	6.2	5.9	5.1%
Focused Healthcare	2.5	2.0	25.0%
Total	**41.2**	**36.7**	**12.3%**

Other financial metrics	FYE 2019	FYE 2018	Change
Average Registered occupancy	1,903	1,876	27
Average Registered occupancy %	93.5%	91.3%	2.2%
Average Weekly Community Based hours	86,700	75,600	11,000
Closing Registered occupancy	1,927	1,885	42
Closing Registered occupancy %	93.9%	92.4%	1.4%
Closing Weekly Community Based hours	91,300	79,100	12,200

Property Analysis

At the 31 March 2019 the number of freehold properties held was 296, an increase of 4 properties as at 31 March 2018. The net book value of the freehold properties was £342 million.

We have increased our provision of properties supporting the Community division by 32, with capacity increasing by 184 since 31 March 2018.

Of our freehold properties, 87.4% of capacity is Registered whereas 25.8% of capacity is Community, which is in line with our strategy to utilise 3rd Party Capital to drive Community based care growth.

Properties as at 31 March 2019

	Registered		Community		Daycare	DCA	31 Mar 19 Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	229	1,795	55	274	4	8	296	2,069
Leasehold/Rental [(1)]	39	258	12	79	10	22	83	337
3rd Party Owned [(2)]	0	0	207	707	2	7	216	707
Totals	**268**	**2,053**	**274**	**1,060**	**16**	**37**	**595**	**3,113**
Freehold NBV (£m) [(3)]	**306.1**		**32.0**		**2.0**		**340.1**	

Properties as at 31 March 2018

	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	230	1,787	50	239	4	8	292	2,026
Leasehold/Rental [(1)]	41	257	10	62	10	22	83	319
3rd Party Owned [(2)]	0	0	182	575	0	7	189	575
Totals	**271**	**2,044**	**242**	**876**	**14**	**37**	**564**	**2,920**

Movement

	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	(1)	8	5	35	0	0	4	43
Leasehold/Rental [(1)]	(2)	1	2	17	0	0	0	18
3rd Party Owned [(2)]	0	0	25	132	2	0	27	132
Totals	**(3)**	**9**	**32**	**184**	**2**	0	**31**	**193**

[(1)] Leasehold/Rental includes properties which are on a long term lease and properties on short term rental which have been obtained to support immediate commissioner requirements.

[(2)] 3rd Party owned Supported Living properties are leased to a Registered Provider such as a Housing Association and then rented to the people we support. Rent and maintenance are usually covered by Housing Benefit claimed by the people we support.

[(3)] Freehold NBV is not separately shown under DCA, as the Freehold 'DCA' offices operate from Freehold 'Community' Properties. Freehold NBV excludes assets held for sale and leasehold, encumbered and third party properties.

Voyage BidCo Limited

Annual Report and Consolidated Financial Statements

Registered number 05752534

For the year ended 31 March 2019

Voyage BidCo Limited
Annual Report and Consolidated Financial Statements
For the year ended 31 March 2019

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Voyage BidCo Limited
Strategic Report
For the year ended 31 March 2019

The Directors present their Strategic Report for the year ended 31 March 2019.

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

Strategy and business model
Voyage Care's objective is to deliver great quality care underpinned by commercial success. The year under review has seen further progress towards our aim of strengthening our position as a market leader in all areas of high quality care services for the people we support.

To deliver the Group's strategy, primary emphasis is placed on the quality of care provided. The continuing drive to maintain high quality will strengthen the Group's ability to retain existing business, win tenders, increase the number of people we support within framework agreements, attract individual clients with personal budgets and place the Group in a favourable position to take over failing services, all of which contributes towards the Group's objectives.

During the year under review, the Group maintained a market leading quality score with 96% of services holding a rating of Good or Outstanding following inspection from the Care Quality Commission (CQC) (2018: 93%). Additionally, 100% of homes and services registered in Scotland and Wales were found to be compliant when inspected by their regulators (2018: 100%). A selection of the ways this has been achieved are outlined below:

- 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 and support plans are reviewed and amended on a regular basis to address changing support needs and to ensure that an appropriate level of personalised care is provided for each individual;
- Typically, a considerable amount of care is provided to each person we support due to their high acuity care needs. This approach provides the Group with a competitive advantage compared to other care providers in the private sector; and
- The Group operates its own quality assurance function to ensure that quality standards are continually driven forward.

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

By developing expertise in specialist areas such as Autism and Specialist Behavioural Support Services, the Group continues to build a platform to cater for a broad range conditions whilst offering individuals the highest quality of care and harnessing growth from initiatives such as Transforming Care and the NHS Long Term Plan. Sector leading quality ratings and clearly articulated specialisms underpin our ability to evidence good value to customers and we expect to continue to be successful in winning tenders and taking over services from exiting providers as well as maximising organic growth.

Registered care is delivered in specially adapted homes which the Group provides in its portfolio of freehold and leasehold properties. Growth in this area is driven through increasing capacity and occupancy. Community based care is provided in people's own homes and the Group partners with registered housing providers.

Underpinning the strength of the business are the contracts with care providers. For registered care they take the form of spot, block and respite contracts and for community care they are based on framework contracts or those acquired through tendering processes.

Business review
Voyage Care remains the leading UK provider of Registered Care services by revenue and by placements and has a well-established presence in Community Based Care services. The Group supported 3,393 (2018: 3,227) people as at 31 March 2019, comprising 1,927 (2018: 1,885) through its Registered Care services and a further 1,466 (2018: 1,342) supported through its Community Based Care services.

As at the year end the Group's Registered Care services' occupancy had increased 1.5% to 93.9% (2018: 92.4%) and the Group's Community Based Care services delivered approximately 12,200 additional weekly hours of care to 91,300 weekly hours of care (2018: 79,100). The average weekly fee for Registered Care services increased £26 to £1,700 (2018: £1,674) per person and Community Based Care services average revenue per hour increased £0.82 to £17.29 (2018: £16.47) for the year ended 31 March 2019.

Approximately 68% (2018: 73%) of the people we support in the Registered Care services had been in the Group's care for more than five years and some of the people we support have been with Voyage Care for more than 20 years. Providing stable environments for people we support improves the likelihood of positive outcomes and their quality of life.

Business review *continued*
Whilst individuals with acquired brain injuries will remain with Voyage for varying lengths of time according to their needs, progress, long term plans or personal preferences, individuals with learning disabilities have a lifelong condition and require ongoing support. Approximately 34% (2018: 36%) of the people we support in the Registered Care services division were 40 years of age or younger, and 78% (2018: 78%) were 60 years of age or younger, which contributes to a long average length of stay in those services. Approximately 39% (2018: 36%) of the people we support in the Community Based Care services were 40 years of age or younger, and 81% (2018: 79%) were 60 years of age or younger, which contributes to a long average length of stay in those services.

Of the care we provide, 95% is paid for by Local Authorities and Clinical Commissioning Groups (''CCGs'') and, as at 31 March 2019, we generated revenue from over 250 of these publicly funded purchasers across the UK. The Group's long-standing relationships with Local Authorities and CCGs are built on a strong reputation for providing quality services to the people we support.

Market environment and outlook
National policy has created a clear framework for growth of services which enable people with disabilities to live an ordinary life in the community. Local Authorities and CCG's continue to re-balance care towards community-based support as the primary service model, with residential care providing a valuable contribution for those with the most complex of needs.

Local Authority and NHS customers prioritise developing relationships with high quality stable providers, such as Voyage Care who can offer solutions to their key challenges:

Increasing volume and acuity of people requiring care
- Research indicates that there will be sustained growth in the need for social care services for an increasing number of adults with learning disabilities over the next decade, with estimated average annual increases of 3.2%.
- Projections in demand indicate sustained growth in both community-based support and care homes services to meet the needs of younger adults with disabilities; a clear growth opportunity for Voyage Care as we now have a well-established pathway of specialist care and support solutions.

The rising cost of providing care
- Annual increases to the National Living Wage, workplace pension auto enrolment charges, and the apprenticeship levy, alongside other inflationary pressures, impacted the Group's cost base.

Budget restrictions arising from austerity
- The CQC State of Care report notes the sustained pressure on the social care sector: the government has now made one-off additional budget available for social care in each of the last four years and continues to delay publication of its promised reforms to the long-term funding of social care.
- For the three financial years up to and including the financial year 2019-20 the Council Tax Precept offers Local Authorities the option of charging up to an additional 6% ringfenced for social care. 148 of 152 Local Authorities utilised the precept in 2018-19.
- The 'Improved Better Care Fund' additional grant funding, amounting to £100 million a year in 2017–18 rising to £1.4 billion a year in real-terms by 2019–20, is integrating NHS and social care through a single local pooled budget so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible.

Corporate Social Responsibility
Employees
Like all service companies, the key to the Group's success is the skills and capabilities of the people we employ.

The Group recognises the recruitment, training and retention of skilled employees is critical to its success. As a result, we have continued to invest in training, approximately £2.3 million in the year ended 31 March 2019 (2018: £2.1 million), in order to ensure that employees 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 the Group's employees to gain the necessary skill set, knowledge and confidence to achieve Voyage Care's high standards of care for the people we support. The Group's 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; employee turnover is closely monitored and exit interviews performed to identify underlying trends.

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

Corporate Social Responsibility *continued*

Employees *continued*

A summary of the gender diversity throughout the Group is as follows:

	2019			2018		
	Female	**Male**	**Total**	**Female**	**Male**	**Total**
Director	1	7	8	1	8	9
Senior Executive	8	7	15	8	7	15
Employee	7,726	2,500	10,226	7,304	2,282	9,586
Total	**7,735**	**2,514**	**10,249**	**7,313**	**2,297**	**9,610**

We are committed to the development of our people and ensuring gender equality by design. As at April 2018, Voyage Care's overall median gender pay gap is 0.0%, with a mean figure of 4.3%. The Group's gender pay gap report can be accessed at: https://s3-eu-west-1.amazonaws.com/nucleus.voyage/Gender_Pay_Report_2018-1554282639.pdf

Social, community and human right issues

Voyage Care integrates the people we support into the community and as a result they have developed strong bonds with their surrounding communities. The Group has direct involvement in a number of community based programmes such as fundraising. Employees are recruited locally and services use local shops for food and provisions rather than national suppliers directly delivering to the Group's 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 the Group's service reputation and strengthening relationships 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 and by acting as quality checkers at our services. We are keen to encourage the people we support to gain the skills, experience and knowledge they need to secure work opportunities.

The Group ensures 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 essential to the practices of an ethical company. Voyage Care is committed to supporting human rights through compliance with laws and regulations in all aspects and geographies of the Group's operations.

Environmental matters

The Group is not a significant carbon emitting business but we are committed to minimise the impact on the environment in all areas of the business. Energy costs are monitored centrally and the Group encourages 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 procedure manuals and forms available online and the installation of electronic attendance recording systems in the Group's services. In addition, the Group limits the impact on the environment by:

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

Financial review

The Consolidated Financial Statements of the Group are set out from page 14. The Group has maintained a good financial performance for the year ended 31 March 2019, despite external mandatory cost increases.

Key performance indicators

The financial and non-financial KPIs set out below focus on the drivers of value that will enable the Group to achieve its strategic aims and objectives. Commentary on KPIs is included in the business review section:

	2019	**2018**	**Performance**
Revenue (before non-underlying items) (£'000)	249,798	229,028	9.1%
Adjusted EBITDA (before non-underlying items) (£'000) *	41,205	36,677	12.3%
Services rated as Good or Outstanding by CQC (%)	96%	93%	3%
Registered occupancy (#)	1,927	1,885	42
Registered occupancy as a percentage of capacity (%)	94%	92%	2%
Registered average weekly fee (£)	£1,700	£1,674	£26
Community Based Care places (#)	1,466	1,342	124
Community Based Care average weekly care hours (#)	91,275	79,132	12,143
Community Based Care average revenue per hour (£)	£17.29	£16.47	£0.82
% staff turnover	36%	34%	2%

* Adjusted EBITDA (before non-underlying items) is calculated by adding back depreciation and impairment, amortisation and profit and loss on disposal of property, plant and equipment in the year to operating profit (before non-underlying items). Management believe adjusted EBITDA is an important reporting metric as it offers a clearer reflection of operating performance.

Consolidated income statement

	2019 £'000	**2018 £'000**	**Change £'000**	**%**
Revenue	249,798	229,028	20,770	9%
Adjusted EBITDA (before non-underlying items)	41,205	36,677	4,528	12%
Non-underlying items	(1,319)	(202)	(1,117)	553%
Depreciation and impairment of property, plant and equipment	(15,264)	(16,112)	848	(5%)
Profit / (loss) on disposal of assets	253	(27)	280	(1,037%)
Amortisation of intangible assets	(2,350)	(1,751)	(599)	34%
Operating profit	22,525	18,585	3,940	21%
Net finance expense	(19,440)	(29,142)	9,702	(33%)
Profit / (loss) before taxation	3,085	(10,557)	13,642	(129%)

<u>Revenue</u>

Revenue for the Group was £249,798k, an increase of 9.1% from 2018. This was primarily driven by increases to care hours and revenue per hour in Community Based Care services and the full year impact of the acquisition of Focused Healthcare Limited in August 2017.

<u>Adjusted EBITDA</u>

Adjusted EBITDA before non-underlying items was £41,205k, an increase of £4,528k from 2018. During the year the Group transitioned to IFRS 16, a new accounting standard for the treatment of leases. Full details of the transition and the impact on the financial statements are shown in note 3, however as a result of the transition adjusted EBITDA increased by £3,741k. In addition, adjusted EBITDA increased by £787k as a result of increased occupancy and average weekly fees in the Registered division, the full year impact of the acquisition of Focused Healthcare Limited offset by mandatory increases in staff costs due to the increase in National Living Wage and National Minimum Wage rates.

Before the impact of IFRS 16, the adjusted EBITDA margin reduced by 1.1% to 14.9% (2018: 16.0%). This was driven by mandatory increases in staff costs due to the increase in National Living Wage and National Minimum Wage rates offset by inflationary fee rises in care fees.

<u>Non-underlying items</u>

Non-underlying items was a cost of £1,319k, an increase of £1,117k from 2018. This was predominately driven by costs incurred in the issue and reclassification of loan notes and one off project costs to invest in head office and operational functions (see note 6).

<u>Operating profit</u>

Operating profit was £22,525k an increase of £3,940k, primarily as a result of the transition to IFRS 16, the increased occupancy and average weekly fees in the Registered division and the full year impact of the acquisition of Focused Healthcare Limited.

Financial review - continued

Net finance expense

Net finance expenses of £19,440k decreased £9,702k from 2018 as a result of the Group incurring redemption penalties from the refinancing transaction in the prior financial period.

Consolidated statement of financial position

	2019 £'000	2018 £'000
Goodwill and intangible assets	51,698	52,196
Property, plant and equipment	383,959	359,153
Current assets	47,690	42,037
Current liabilities	(74,632)	(62,796)
Non-current loans and borrowings	(263,634)	(241,973)
Other non-current liabilities	(11,718)	(18,032)
Equity	(133,363)	(130,585)

Goodwill and intangible assets

Goodwill and intangible assets totalled £51,698k, an decrease of £498k from 2018. This is predominately due to amortisation of intangible assets offset by additional goodwill and intangible assets rising on the acquisition of three care homes in September 2018 (see note 31).

Net current liabilities

The Group has net current liabilities of £26.9 million as at 31 March 2019 (2018: £20.8 million) an increase of £6.1 million predominately due to recognising a lease liability of £2.6 million following the transition to IFRS 16 and additional utilisation of £8.0 million on the Revolving Credit Facility.

Loans and borrowings

Non-current loans and borrowings totalled £263,634k, a increase of £21,661k predominately due to recognising a lease liability of £20.4 million following the transition to IFRS 16.

Consolidated statement of cash flow

	2019 £'000	2018 £'000	Change £'000
Cash and cash equivalents	18,686	16,924	1,762
Net cash flows from operating activities before interest payments	38,821	34,963	3,858
Interest paid	(17,227)	(14,488)	(2,739)
Net cash flows from investing activities	(22,817)	(31,960)	9,143
Net cash flows from financing activities	4,002	7,878	(3,876)
Net increase/(decrease) in cash and cash equivalents	1,762	(4,116)	5,878

The Group generated net cash inflows from operating activities before interest payments of £38,821k, an increase of £3,858k from 2018. From net cash flows generated from operating activities, £17,227k of interest was paid (2018: £14,488k), Corporation tax of £1,017k was paid (2018: £509k), a net £20,602k was paid to acquire freehold properties, improve the existing portfolio or invest in activities to support the growth and development of the Group (£14,218k), £2,250k was paid on acquisitions (2018: £17,768k) (see note 31) and £4,002k was generated from financing activities (2018: £7,878k). Accordingly, the Group increased its cash and cash equivalents during the year by £1,762k (2018: decrease by £4,116k).

In addition, the Group has a £45m Revolving Credit Facility that was drawn £23m at the yearend (2018: £15m).

Principal risks and uncertainties

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

Risk	Mitigation
Local Authority funding The continuing financial austerity within Government increases social care funding pressures for Local Authorities. As staffing costs continue to rise through National Living Wage, workplace pension auto enrolment charges and apprenticeship levy there is a risk that the increased funding is not available to compensate for the increased costs.	Many Local Authorities have 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 Better Care Fund has been created that is designed to help integrate NHS and social care co-funding.
Recruitment and retention of skilled care workers The key to the Group's success is the quality of the people we employ. Losing key employees inhibits the strength of delivering consistently high quality care.	The Group has a bespoke system to deal with recruitment from first point of contact to employment, including Disclosure and Barring Service checks. Employee turnover is closely monitored through KPIs and exit interviews are performed to identify underlying trends.

Risk	Mitigation
Ensuring the provision of high quality care to the people we support The Voyage business is built on the reputation of the high quality care consistently delivered. A reduction in quality would harm the Group's reputation and have a negative impact on the lives of people we support.	An appropriate balance is maintained 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. Close control of agency usage is in place including weekly reporting to senior management. The Group invested £2.3m in training expenditure to ensure employees are fully up-to-date in the best ways of providing care for people we support (2018: £2.1m).
Maintaining high occupancy levels and average weekly hours The Group's strategy to deliver great quality care with commercial success requires the Group to have a robust financial performance. To achieve appropriate revenue performance, occupancy levels, hours delivered and the associated fees, must be maintained.	Admissions, leavers, weekly fees and the progress of referrals for vacancies are formally reported to senior management on a weekly basis. 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.
Brexit Britain's decision to leave the European Union may lead to more challenging employee recruitment and retention environment. The Group has a relatively low proportion of non-UK EU employees at 4% and therefore the direct impact could be low, however the indirect impact resulting from general tightening of employment markets could affect the Group's ability to recruit.	The Group monitors local employment markets across the UK and where necessary will implement measures to recruit the required employees. For example, during FY2019 we have introduced localised pay increases in certain employment hot spots. We continue to diligently monitor the terms of Brexit negotiations to scrutinise any potential further impact for the Group during this time of uncertainty.

Uncertainties facing the business
In keeping with widespread practice in the social care sector, the Group operates at a number of sites where individual employees "sleep-in" overnight and are paid an allowance to do so.

In the past HMRC gave clear guidance that it did not consider sleep-ins to constitute "time work" for the purposes of NMW. However, the correct application of NMW regulations to sleep-ins was the subject of several legal decisions including that of the Employment Appeal Tribunal (EAT) in Royal Mencap Society v Tomlinson-Blake. From 1 July 2017 the government (BEIS) and HMRC changed their interpretation of the NMW regulations in relation to sleep-ins, and began to insist that sleeping time is "time work" for NMW purposes. The Group increased the allowance paid for a sleep-in shift from July 2017 to reflect this new interpretation of the regulations.

The Tomlinson-Blake decision, in which the Group was not directly involved, was appealed in the Court of Appeal in March 2018. Local authorities and other providers were also represented. In a major decision, the Court of Appeal ruled that for the purposes of the regulations on NMW, time spent on a sleep-in shift does not count as "time work" for NMW purposes. As a consequence of this, official guidance was again changed. Accordingly, in February 2019, consistently with the Court of Appeal ruling and the official guidance, the Group reduced the allowance paid for a sleep-in.

The Court of Appeal refused permission to appeal against its decision but a panel of Supreme Court judges subsequently granted Mrs Tomlinson-Blake permission to appeal. The Supreme Court gives such permission only in cases of public importance which it considers justify its attention. The appeal is listed to be heard in February 2020.

Notwithstanding that permission to appeal was granted, our legal advice is that it is unlikely that the Court of Appeal ruling will be overturned.

Given the grant of permission to appeal, the Board has decided that it is appropriate to make a contingent liability disclosure. Should the Court of Appeal ruling be overturned by the Supreme Court it is possible that the Group would be required to make backdated payments to its employees for a period of up to 6 years.

In the light of knowledge of how HMRC has dealt with these issues in the past (in particular, in introducing a non-statutory Scheme for resolution of issues in this area) the Board's judgment is that there is only a remote possibility that penalties would be imposed in those circumstances and therefore nothing has been included in this respect.

On this basis the Board estimates that a contingent liability up to a maximum of £16m should be disclosed.

Future prospects
The Group's philosophy places 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 the quality of care we provide is paramount.

Over the coming years, we anticipate growing demand for high quality care services which meet the needs of those who require support, care managers and families as the population of people requiring support continues to grow.

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

S Parker
Director

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP

2 July 2019

Voyage BidCo Limited
Directors' Report
For the year ended 31 March 2019

The Directors present their annual report and the audited financial statements for the year ended 31 March 2019.

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 in respect of the future prospects of the business.

Principal activities
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, brain injuries and other complex needs.

Results and dividends
The results for the year are set out in detail on page 14.

The Directors do not recommend the payment of a dividend (2018: £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.

£215 million of 5.875% Senior Secured Notes and £35 million of 10% Second Lien Notes are due in 2023 and a Revolving Credit Facility of £45.0 million due 2023 was £23.0 million drawn at 31 March 2019. The Directors are mindful of the due date of the external financing arrangements and recognise the need to review refinancing or capital structure options at the appropriate time. The Investor and Management Fixed Rate Unsecured Loan Notes are payable at the earlier of an exit or September 2024.

The Group has net current liabilities of £26.9 million as at 31 March 2019 (2018: £20.8 million) an increase of £6.1 million predominately due to recognising a lease liability of £2.6 million following the transition to IFRS 16 and additional utilisation of £8.0 million on the Revolving Credit Facility. Notwithstanding this and the principal risks identified on page 6, 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 34, 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 Group has formal employee policies and procedures which are regularly reviewed and updated on matters of direct concern to employees.

The Group offers an Employee Assistance Programme to enable staff to seek support on work, home and life issues to allow the Group to offer improved support to staff working in challenging environments.

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 investors
The Group was established in 1988 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, the Group was 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, the Group were acquired by investment funds managed by Partners Group and Duke Street.

Partners Group is a global private markets investment manager, serving over 850 institutional investors worldwide. Partners Group has approximately EUR 73 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 CHF15.9 billion as of 31 December, 2018. It employs more than 1,200 professionals across 19 offices worldwide. In Private Equity, Partners Group manages assets of EUR 36 billion and has on behalf of its clients directly invested in more than 200 companies since inception. The investment focus in Private Equity is on platform companies in fragmented markets, niche businesses with potential to gain market share in sub-segments of industries experiencing tailwinds and franchise companies with strong defensive capabilities and high cash flow generation. Partners Group pursues a diversified and global relative value approach across sectors, geographies and industries. Recent European investments include Techem, Megadyne Group and Ammeraal Beltech.

Private equity investors *continued*

Duke Street has an investment strategy based on supporting the long term growth of 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 Medi-Globe.

The Company is ultimately majority-owned by investment funds which 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 Cannon
Philip Sealey (resigned 10 January 2019)
Shaun Parker (appointed on 10 January 2019)

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

Voyage Care's purpose is to deliver great quality care and support, and we are privileged to support over 3,300 adults and children, enabling them to live the life they want to lead and achieve their personal goals. We are proud of the quality of the care and support we provide; Voyage Care has more services rated Good and Outstanding (or equivalent) by the regulators than any other adult social care provider. However, as a learning organisation we recognise there are always opportunities to improve further.

The Quality, Safety and Risk Committee (QSR) provides independent challenge and review which drives quality improvements and the performance of best practice throughout the organisation. The QSR uses appropriate metrics about how Voyage Care is fulfilling its purpose and aims to continually improve feedback loops and delivery. In addition, the QSR provides 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 the 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 risk 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 a representative of Partners Group and Duke Street, being Andrew Deakin and Jason Lawford respectively. The Chief Executive Officer and Chief Financial Officer attend meetings, but are not members of the Audit Committee. The Group's Senior Statutory Auditor is also invited to Audit Committee meetings and on each occasion spends time with the Committee without executive management being present.

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 Group's non-executive chairman and, in addition comprises the Chief Executive Officer and a representative of Partners Group and Duke Street, being Remy Hauser and Stuart McMinnies 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 the Group's non-executive chairman, Chief Executive Officer, Chief Operating Officer, Commercial Director and a representative of Partners Group and Duke Street, being Andrew Deakin and Stuart McMinnies 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

S Parker
Director

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP

2 July 2019

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 International Financial Reporting Standards as adopted by the European Union (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, relevant, reliable 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;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 ("the company") for the year ended 31 March 2019 which comprise the Consolidated Statement of Profit and Loss Account, Consolidated Statement of Other Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flow and related notes including the accounting policies in note 3.

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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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
Under the Companies Act 2006, we are required 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

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 11 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
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.

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

2 July 2019

Voyage BidCo Limited
Consolidated Statement of Profit and Loss
For the year ended 31 March 2019

	Notes	2019 Underlying £000	2019 Non-underlying items (2) £000	2019 Total £000	2018 Underlying £000	2018 Non-underlying items (2) £000	2018 Total £000
Continuing operations							
Revenue		249,798	-	249,798	229,028	-	229,028
Operating expenses	10	(225,508)	(1,765)	(227,273)	(205,513)	(4,930)	(210,443)
Adjusted EBITDA (1)		41,205	(1,319)	39,886	36,677	(202)	36,475
Depreciation and impairment of property, plant and equipment	10	(14,818)	(446)	(15,264)	(11,384)	(4,728)	(16,112)
Profit / (loss) on disposal of assets	10	253	-	253	(27)	-	(27)
Amortisation of intangible assets	10	(2,350)	-	(2,350)	(1,751)	-	(1,751)
Operating profit		**24,290**	**(1,765)**	**22,525**	**23,515**	**(4,930)**	**18,585**
Finance income	11	77	-	77	64	-	64
Finance expense	12	(19,517)	-	(19,517)	(20,362)	(8,844)	(29,206)
Profit / (loss) before taxation		**4,850**	**(1,765)**	**3,085**	**3,217**	**(13,774)**	**(10,557)**
Taxation	13	(1,218)	286	(932)	(859)	2,240	1,381
Profit / (loss) for the year from continuing operations		**3,632**	**(1,479)**	**2,153**	**2,358**	**(11,534)**	**(9,176)**
Profit / (loss) attributable to equity holders of the parent		**3,632**	**(1,479)**	**2,153**	**2,358**	**(11,534)**	**(9,176)**

(1) Adjusted EBITDA represents earnings before interest, tax, depreciation and amortisation, impairments, profit / (loss) 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 2019

	Notes	2019 £000	2018 £000
Profit / (loss) for the year		2,153	(9,176)
Items that will not be reclassified to profit and loss			
Remeasurements of the defined benefit liability	30	(1)	(278)
Deferred tax movement for the year	23	(128)	47
		(129)	(231)
Total comprehensive income / (expense) attributable to equity holders of the parent for the financial year		**2,024**	**(9,407)**

Voyage BidCo Limited
Consolidated Statement of Financial Position
At 31 March 2019

	Notes	**2019**		**2018**	
		£000	**£000**	**£000**	**£000**
Non-current assets					
Goodwill	14	45,452		44,236	
Intangible assets	15	6,246		7,960	
Property, plant and equipment	16	383,959		359,153	
			435,657		**411,349**
Current assets					
Trade and other receivables	18	25,612		21,864	
Tax assets		590		538	
Employee benefit pension assets		-		879	
Cash and cash equivalents	19	18,686		16,924	
		44,888		40,205	
Assets classified as held for sale	20	2,802		1,832	
			47,690		**42,037**
Total assets			**483,347**		**453,386**
Current liabilities					
Loans and borrowings	21	25,663		15,000	
Trade and other payables	22	28,926		26,806	
Accruals and deferred income		18,355		18,337	
Corporation tax		-		-	
Provisions	24	548		634	
Employee benefit pension liability		-		879	
Other financial liabilities	27	1,140		1,140	
			74,632		**62,796**
Non-current liabilities					
Loans and borrowings	21	263,634		241,973	
Tax liabilities	23	10,945		10,820	
Provisions	24	490		3,046	
Employee benefits	30	283		348	
Accruals and deferred income		-		3,818	
			275,352		**260,005**
Total liabilities			**349,984**		**322,801**
Net assets			**133,363**		**130,585**
Equity					
Capital and reserves					
Issued share capital	25	-		-	
Share premium	26	252,872		252,872	
Retained earnings		(119,509)		(122,287)	
Total equity attributable to equity holders of the parent			**133,363**		**130,585**

These financial statements were approved by the Board of Directors on 2 July 2019 and were signed on its behalf by:

S Parker
Director

Company registered no. 05752534

Voyage BidCo Limited
Company Statement of Financial Position
At 31 March 2019

	Notes	2019 £000	2018 £000
Assets			
Non-current assets			
Investments	*17*	130,874	173,580
Total non-current assets		130,874	173,580
Current assets			
Trade and other receivables	*18*	440,085	408,551
Total current assets		440,085	408,551
Total assets		**570,959**	**582,131**
Liabilities			
Current liabilities			
Trade and other payables	*22*	572,781	531,741
Total current liabilities being total liabilities		572,781	531,741
Net (liabilities) / assets		**(1,822)**	**50,390**
Equity			
Capital and reserves			
Called up share capital	*25*	-	-
Share premium	*26*	252,872	252,872
Profit and loss account		(254,694)	(202,482)
Equity shareholders' (deficit) / funds		**(1,822)**	**50,390**

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 £52,212,000 (2018: £8,814,000).

These financial statements were approved by the Board of Directors on 2 July 2019 and were signed on its behalf by:

S Parker
Director

Company registered number 05752534

Voyage BidCo Limited
Consolidated and Company Statement of Changes in Equity

For the year ended 31 March 2019

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2018	-	252,872	(122,287)	130,585
Adjustment on initial application of IFRS 16 (net of tax) (see note 3)	-	-	754	754
	-	252,872	(121,533)	131,339
Total comprehensive income for the year				
Profit for the year	-	-	2,153	2,153
Other comprehensive income	-	-	(129)	(129)
Total comprehensive income for the year	-	-	2,024	2,024
At 31 March 2019	**-**	**252,872**	**(119,509)**	**133,363**

For the year ended 31 March 2018

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2017	-	224,872	(112,880)	111,992
Total comprehensive income for the year				
Loss for the year	-	-	(9,176)	(9,176)
Other comprehensive income	-	-	(231)	(231)
Total comprehensive expense for the year	-	-	(9,407)	(9,407)
Transactions with owners				
Issue of ordinary share	-	28,000	-	28,000
Total transactions with owners	-	28,000	-	28,000
At 31 March 2018	**-**	**252,872**	**(122,287)**	**130,585**

For the year ended 31 March 2019

Company	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2018	-	252,872	(202,482)	50,390
Total comprehensive income for the year				
Loss for the year	-	-	(52,212)	(52,212)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the year	-	-	(52,212)	(52,212)
At 31 March 2019	**-**	**252,872**	**(254,694)**	**(1,822)**

For the year ended 31 March 2018

Company	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2017	-	224,872	(193,668)	31,204
Total comprehensive income for the year				
Loss for the year	-	-	(8,814)	(8,814)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the year	-	-	(8,814)	(8,814)
Transactions with owners				
Issue of ordinary share	-	28,000	-	28,000
Total transactions with owners	-	28,000	-	28,000
At 31 March 2018	**-**	**252,872**	**(202,482)**	**50,390**

Voyage BidCo Limited
Consolidated Statement of Cash Flow
For the year ended 31 March 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit / (loss) for the year	2,153	(9,176)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	15,264	16,112
(Profit) / loss on disposal of non-current assets	(253)	27
Amortisation of intangible assets	2,350	1,751
Finance income	(77)	(64)
Finance expense	19,517	29,206
Tax income	932	(1,381)
Movements in working capital:		
Increase in trade and other receivables	(4,177)	(3,780)
Increase in trade and other payables	2,120	1,979
Increase in accruals and deferred income	1,044	664
Decrease in provisions, employee benefits and other financial liabilities	(52)	(375)
Cash generated from operating activities	38,821	34,963
Interest paid	(17,227)	(14,488)
Tax paid	(1,017)	(509)
Net cash generated from operating activities	20,577	19,966
Cash flows from investing activities		
Interest received	35	26
Payments to acquire property, plant and equipment	(22,544)	(14,354)
Payments to acquire intangible assets	(475)	(112)
Proceeds from sales of property, plant and equipment	2,417	248
Net cash outflow on acquisition of subsidiaries	(2,250)	(17,768)
Net cash used in investing activities	(22,817)	(31,960)
Cash flows from financing activities		
Issue of share capital	-	-
Share premium received	-	28,000
Issue of new Loan Notes	-	250,000
Payment of transaction costs on new loans and borrowings	-	(13,122)
Repayment of existing Loan Notes	-	(272,000)
Proceeds from loans and borrowings	8,000	15,000
Property and vehicle lease payments	(3,998)	-
Net cash generated from financing activities	4,002	7,878
Net increase / (decrease) in cash and cash equivalents in the period	1,762	(4,116)
Cash and cash equivalents at the beginning of the period	16,924	21,040
Cash and cash equivalents at the end of the period	**18,686**	**16,924**

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, brain injury rehabilitation 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 £52,212,000 (2018: £8,814,000).

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.

Revenue 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.

£215 million of 5.875% Senior Secured Notes and £35 million of 10% Second Lien Notes are due in 2023 and a Revolving Credit Facility of £45.0 million due 2023 was £23.0 million drawn at 31 March 2019. The Directors are mindful of the due date of the external financing arrangements and recognise the need to review refinancing or capital structure options at the appropriate time. The Investor and Management Fixed Rate Unsecured Loan Notes are payable at the earlier of an exit or September 2024.

The Group has net current liabilities of £26.9 million as at 31 March 2019 (2018: £20.8 million) an increase of £6.1 million predominately due to recognising a lease liability of £2.6 million following the transition to IFRS 16 and additional utilisation of £8.0 million on the Revolving Credit Facility. Notwithstanding this and the principal risks identified on page 6, 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 34, 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	2 - 8 years
Non-compete agreement	2 - 3 years
Brands	2 - 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 2018: £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 goodwill and property, plant and equipment

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 operating segment to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating operating segment 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 operating segments are allocated first to reduce the carrying amount of any goodwill allocated to income-generating operating segments, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the operating segment on a pro rata or more appropriate basis. An income generating operating segment 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.

Operating 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 other third party borrowings (see note 27) and unwinding of the discount on provisions and lease liabilities. 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*

Adoption of new and revised standards

1. IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 April 2018 did not result in significant changes in accounting policies nor adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 Financial Instruments, comparative figures have not been restated.

On 1 April 2018 (the date of initial application of IFRS 9 Financial Instruments), the Group's management has assessed the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 Financial Instruments categories. The main effects resulting from this reclassification are as follows:

- Trade and other receivables are now classified as 'Amortised cost' under IFRS 9 (previously 'Loans and receivables' under IAS 39). Trade receivables are subject to the new expected credit loss model in IFRS 9 Financial Instruments and therefore the Group has revised its impairment methodology (see note 18).

2. IFRS 15 Revenue from Contracts with Customers
The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in no changes in accounting policies nor disclosures.

3. IFRS 16 Leases
This is the first set of the Group's financial statements in which IFRS 16 has been applied and the date of transition was 1 April 2018.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2018. Accordingly the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Agreement contains a lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2018.

B. As a lessee
As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the leases transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. The Group has elected not to recognise right-of-use assets and lease liabilties for some leases of low-value (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents the right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The Group presents lease liabilities in 'loans and borrowings' in the statement of financial position. The carrying amounts of the right of use assets are as below:

	Property, plant and equipment		
£'000	**Property**	**Motor Vehicles**	**Total**
Balance as at 1 April 2018	120	16,114	16,234
Balance as at 31 March 2019	2,009	15,165	17,174

3 Accounting policies *continued*

Adoption of new and revised standards *continued*

B. As a lessee *continued*
i. Significant accounting policies
The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgements to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition to IFRS 16
Previously, the Group classified property leases as operating leases under IAS 17. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2018. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and any onerous lease provisions at the transition date.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- Reliance upon previous assessment of whether leases are onerous before the date of initial application.

C. Impacts on financial statements
i. Impact on transition
On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

£'000	**1 April 2018**
Right-of-use assets presented in property, plant and equipment	16,234
Deferred tax asset/(liability)	-
Other debtors	(315)
Accruals	4,260
Provisions and liabilities	2,655
Lease liabilities	(22,080)
Retained earnings	(754)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2018. The weighted-average rate applied is 3.78%.

£'000	**1 April 2018**
Operating lease commitment at 31 March 2018 as disclosed in the Group's consolidated financial statements	29,730
Discounted using the incremental borrowing rate	(5,458)
Different lease conditions under IFRS 16	(1,755)
Irrecoverable VAT excluded from lease liability	(437)
Lease liabilities recognised at 1 April 2018	22,080

i. Impact for the period
As a result of applying IFRS 16, the Group has recognised depreciation and interest costs, instead of an operating lease expense. During the period ended 31 March 2019, the Group recognised £3,289k of depreciation charges and £827k of interest costs from those leases. Operating lease charges that would have been recognised under the previous accounting policy would have been £3,741k as a result there has been a net increase in profit before tax.

3 Accounting policies *continued*

Adoption of new and revised standards *continued*

Adopted IFRS not yet applied

The following amended standards and interpretations have been endorsed by the EU but are not yet effective:

- IFRIC 23 Uncertainty over Tax Treatments (effective for reporting periods beginning on or after 1 January 2019);
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) (effective for reporting periods beginning on or after 1 January 2019);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (effective for reporting periods beginning on or after 1 January 2019);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (effective for reporting periods beginning on or after 1 January 2019); and
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards (effective for reporting periods beginning on or after 1 January 2019).

The above standards and interpretations are not expected to have a significant impact on the Group's 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:

Operating Segments

The Group's management consider the acquisition of Focused Healthcare as a separate operating segment. Although the Group and Focused Healthcare provide complementary specialist care and support services, Focused Healthcare concentrates on providing specialist care to children and young people whereas Voyage Care predominantly provides specialist care to adults. In addition, Focused Healthcare will continue to operate independently from the Group retaining its own head office function.

Impairment of goodwill

Determining whether goodwill is impaired requires a judgement as to the determination of the CGUs and 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 2019 was £45,452,000 (2018: £44,236,000) (see note 14).

Customer relationships, Non-compete agreements and Brands

Management assess each acquisition to identify intangible assets that were acquired as part of the transaction. The estimation of future economic benefits generated from acquired customer relationships, non-compete agreements and brands, and the determination of the related amortisation profile, involves a significant degree of judgement based on managements estimation of future revenue, profit, customer attrition rates, and the useful lives of the assets. Changes in the estimates made by management could result in a large, but not material, reclassification between assets and goodwill. The valuation methods used to value each identifiable intangible asset is multiple excess earnings, estimated avoided loss on profits and relief royalty. The useful economic life estimate ranges from 2 to 8 years and annual reviews are performed to ensure the recoverability of the intangible assets (see note 15).

Assets held for sale

Determining whether an asset is classified as held for sale requires management to determine whether the conditions identified in 'IFRS 5 Non-current assets held for sale' are met. Management believe a significant degree of judgement is required to determine whether the sale is highly probable and whether the sale will be completed within 12 months of the classification as held for sale. In addition, management are required to estimate the expected net realisable value of the assets held for sale. As at 31 March 2019, the assets classified as held for sale are £2,802,000 (2018: £1,832,000) (see note 20).

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 impairment is calculated on specific trade receivables identified by examining aged receivable analyses.

4 Accounting estimates and judgements *continued*

Valuation of lease liabilities and right of use assets
The application of IFRS 16 requires management to make judgements that impact the valuation of lease liabilities and the valuation of right of use assets. The following critical judgements relating to leases have been considered:

- Assessing whether a contract is or contains a lease - At the inception of a contract, management determine whether the contract is or contains a lease. Management assess whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Discount rate - Determining the incremental borrowing rate requires management to consider how much the Group would have to pay to borrow over a similar term, with a similar security, and the funds necessary to obtain an asset of a similar value to the right of use asset in a similar environment.
- Lease term - Determining the lease term requires management to consider all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Potential liability in relation to sleep in shifts
In keeping with widespread practice in the social care sector, the Group operates at a number of sites where individual employees "sleep-in" overnight and are paid an allowance to do so.

In the past HMRC gave clear guidance that it did not consider sleep-ins to constitute "time work" for the purposes of NMW. However, the correct application of NMW regulations to sleep-ins was the subject of several legal decisions including that of the Employment Appeal Tribunal (EAT) in Royal Mencap Society v Tomlinson-Blake. From 1 July 2017 the government (BEIS) and HMRC changed their interpretation of the NMW regulations in relation to sleep-ins, and began to insist that sleeping time is "time work" for NMW purposes. The Group increased the allowance paid for a sleep-in shift from July 2017 to reflect this new interpretation of the regulations.

The Tomlinson-Blake decision, in which the Group was not directly involved, was appealed in the Court of Appeal in March 2018. Local authorities and other providers were also represented. In a major decision, the Court of Appeal ruled that for the purposes of the regulations on NMW, time spent on a sleep-in shift does not count as "time work" for NMW purposes. As a consequence of this, official guidance was again changed. Accordingly, in February 2019, consistently with the Court of Appeal ruling and the official guidance, the Group reduced the allowance paid for a sleep-in.

The Court of Appeal refused permission to appeal against its decision but a panel of Supreme Court judges subsequently granted Mrs Tomlinson-Blake permission to appeal. The Supreme Court gives such permission only in cases of public importance which it considers justify its attention. The appeal is listed to be heard in February 2020.

Notwithstanding that permission to appeal was granted, our legal advice is that it is unlikely that the Court of Appeal ruling will be overturned.

Given the grant of permission to appeal, the Board has decided that it is appropriate to make a contingent liability disclosure. Should the Court of Appeal ruling be overturned by the Supreme Court it is possible that the Group would be required to make backdated payments to its employees for a period of up to 6 years.

In the light of knowledge of how HMRC has dealt with these issues in the past (in particular, in introducing a non-statutory Scheme for resolution of issues in this area) the Board's judgment is that there is only a remote possibility that penalties would be imposed in those circumstances and therefore nothing has been included in this respect.

On this basis the Board estimates that a contingent liability up to a maximum of £16m should be disclosed.

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;
- Community Based Care: supporting individuals in their own home promoting independence; and
- Focused Healthcare: supporting young individuals living with their families who require specialist care or nursing.

On 22 August 2017, the Group acquired the majority of the share capital of Focused Healthcare Limited. Although the Group and Focused Healthcare provide complementary specialist care and support services a new operating segment has been identified primarily due to Focused Healthcare concentrating on providing specialist care to children and young people and Voyage Care predominantly providing specialist care to adults. In addition, Focused Healthcare will continue to operate independently from the Group retaining its own head office function.

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 (2018: £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 2019	**Registered**	**Community Based Care**	**Focused Healthcare**	**Group**
	£000	**£000**	**£000**	**£000**
Revenue	167,713	71,942	10,143	**249,798**
Adjusted EBITDA (before non-underlying items)	**32,458**	**6,248**	**2,499**	**41,205**
Non-underlying items				(1,319)
Adjusted EBITDA (after non-underlying items)				**39,886**
Depreciation and impairment of property, plant and equipment				(15,264)
Profit on disposal of assets				253
Amortisation of intangible assets				(2,350)
Net finance expense				(19,440)
Taxation				(932)
Profit for the period				**2,153**

	Segment results			
For the year ended 31 March 2018 (restated) *	**Registered**	**Community Based Care**	**Focused Healthcare**	**Group**
	£000	**£000**	**£000**	**£000**
Revenue	159,684	63,309	6,035	**229,028**
Adjusted EBITDA (before non-underlying items)	**28,706**	**5,935**	**2,036**	**36,677**
Non-underlying items				(202)
Adjusted EBITDA (after non-underlying items)				**36,475**
Depreciation and impairment of property, plant and equipment				(16,112)
Loss on disposal of assets				(27)
Amortisation of intangible assets				(1,751)
Net finance expense				(29,142)
Taxation				1,381
Loss for the period				**(9,176)**

* Segment results for the year ended 31 March 2018 have been restated to reflect a more appropriate allocation of revenue and expenditure that is not directly attributable to an operating segment.

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:

		2019	2018
		£000	£000
Continuing operations			
Non-underlying items:	**Note**		
Restructuring costs	a	147	562
Integration and acquisition costs	b	155	338
Consultancy fees	c	106	82
Impairment of property, plant and equipment	d	446	4,728
Project costs	e	716	262
Day Care income	f	(287)	(1,042)
Refinancing transaction	g	-	8,844
Issue of loan notes	h	482	-
Taxation	i	(286)	(2,240)
		1,479	11,534

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

(a) *Restructuring costs*
For the year ended 31 March 2019, the Group incurred remuneration costs of £147,000 in relation to restructuring its workforce (2018: £562,000).

(b) *Integration and acquisition costs*
For the year ended 31 March 2019, the Group incurred transaction costs of £155,000 in relation to the acquisition of three services in the North East of England (see note 31). For the year ended 31 March 2018, the Group incurred transaction costs of £338,000 in relation to the acquisition of Focused Healthcare Limited.

(c) *Consultancy fees*
For the year ended 31 March 2019, the Group incurred costs of £106,000 in relation to professional advice and consultancy (2018: £82,000).

(d) *Impairment of property, plant and equipment*
For the year ended 31 March 2019, 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 £958,000 was incurred (2018: £4,728,000). The Group has reversed certain impairment charges for specified property, plant and equipment as the recoverable amount exceeds its carrying value, as a result an impairment reversal of £512,000 was recognised (2018: £Nil). Accordingly the Group incurred a net impairment charge of £446,000 (2018: £4,728,000).

(e) *Project costs*
The Group is undertaking a programme to improve the quality, accuracy and support for its customers by investing in its head office and operational function including the implementation of an operational ERP system, as a result fees of £716,000 were incurred (2018: £262,000).

(f) *Day Care income*
For the year ended 31 March 2019, the Group was in receipt of funds in relation to backdated VAT on its Day Care business of £287,000 (2018: £1,042,000).

(g) *Refinancing transaction*
For the year ended 31 March 2018, the Group completed a refinancing transaction to redeem its existing Senior Secured Notes and Second Lien Notes, as a result a redemption penalty of £4,983,000 was incurred and unamortised transaction costs of £3,861,000 were expensed. For the year ended 31 March 2019, associated costs were £Nil.

(h) *Issue of loan notes*
For the year ended 31 March 2019, existing Investor and Management Fixed Rate Unsecured Loan Notes issued by Voyage Care MidCo Limited and Voyage Care BidCo Limited, companies owned by the Company's ulimate parent undertaking Voyage Care HoldCo Limited, were reclassified and as a result the Group incurred professional fees of £482,000 (2018: £Nil).

(i) *Taxation*
During the year ended 31 March 2019, a taxation credit of £286,000 arose as a result of certain non-underlying items stated in the above table (2018: £1,609,000).

7 Staff numbers

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

	Number of employees	
	2019	**2018**
Administration	419	382
Care staff	9,830	9,224
	10,249	9,606

8 Directors' remuneration

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

	2019 £000	**2018 £000**
Remuneration	639	708
Compensation on loss of office	-	240
Pension contributions	79	82
	718	1,030

The remuneration of the highest paid director was £352,000 (2018: £416,000) and pension contributions of £60,000 (2018: £60,000) were made to a money purchase scheme on their behalf. Included in the total remuneration is a discretionary payment of £40,000 (2018: £Nil) made to one director.

Three of the Directors active in the year accrued benefits under money purchase pension schemes (2018: three Directors).

9 Auditor's remuneration

	2019 £000	**2018 £000**
Audit of the Group financial statements	11	10
Audit of financial statements of subsidiaries	174	139
Audit related fees	185	149
Taxation compliance services	12	-
Other tax advisory services	118	61
Internal audit services	-	8
Corporate finance services	6	236
Non-audit fees	136	305
Total audit and non-audit fees	321	454

10 Operating profit before taxation

	2019 £000	2018 £000
Operating profit before taxation is stated after charging:		
Continuing operations		
Direct expenses and consumables	7,662	8,102
Staff costs:		
Wages and salaries	157,944	141,869
Social security costs	10,658	9,708
Other pension costs	2,289	1,430
Operating lease rentals:		
Other lease rentals (see note 29)	536	3,938
Plant and machinery (see note 29)	487	1,086
Depreciation	14,818	11,384
Impairment of property, plant and equipment	446	4,728
(Profit) / loss on disposal of assets	(253)	27
Amortisation of intangible assets	2,350	1,751
Other external charges	30,623	27,462
Receipts in respect of VAT on the Group's Day Care activities (see note 6)	(287)	(1,042)
	227,273	210,443

11 Finance income

	2019 £000	2018 £000
Continuing operations		
Bank interest receivable	77	64

12 Finance expense

	2019 £000	2018 £000
Continuing operations		
Bank interest including RCF non-utilisation fees	1,123	940
Loan notes interest	17,470	18,300
Unwinding of discount on provisions	55	1,026
Unwinding of lease liabilities	827	-
Other finance costs	42	96
Redemption penalty in respect of the Group's refinancing transaction	-	4,983
Unamortised transaction costs in relation to the Group's existing loan notes	-	3,861
	19,517	29,206

Loan notes interest comprises interest on loan notes of £16,131,000 (2018: £16,808,000) and amortisation of issue costs and original issue discount on new and previous loan notes of £1,339,000 (2018: £1,149,000 and £343,000 respectively).

13 Taxation

Recognised in the Statement of Profit and Loss	**2019 £000**	**2018 £000**
Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the period	1,024	224
Adjustments in respect of previous periods	(62)	-
	962	224
Deferred tax:		
Origination and reversal of timing differences	(69)	(1,149)
Effect of tax rate change on opening balance	-	-
Adjustments in respect of prior periods	39	(456)
	(30)	(1,605)
Tax on profit / (loss) on ordinary activities	932	(1,381)

Recognised directly in the Statement of Other Comprehensive Income	**2019 £000**	**2018 £000**
Current tax recognised directly in other comprehensive income	-	-
Deferred tax recognised directly in other comprehensive income	128	(47)
	128	(47)

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:

	2019 £000	**2018 £000**
Profit / (loss) on ordinary activities before taxation	3,085	(10,557)
Current tax at 19% (2018: 19%)	586	(2,006)
Effects of:		
Expenses not deductible for tax purposes	3,708	1,743
Fixed asset depreciation / impairment charges in excess of allowances	493	18
Transfer pricing adjustment	(15)	(18)
Group relief received at no cost	(3,544)	(737)
Adjustments in respect of prior periods	(23)	(456)
Effect of UK tax rate changes	8	135
Deferred tax not recognised	(281)	(60)
Total tax charge / (credit) (see above)	932	(1,381)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. Further reduction to 18% (effective 1 April 2020) was also 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 2019 has been calculated based on these rates.

14 Goodwill

	Goodwill £000
Cost	
At 1 April 2018	52,792
Acquisitions (see note 31)	1,216
At 31 March 2019	54,008
Accumulated impairment charge	
At 1 April 2018 and 31 March 2019	8,556
At 31 March 2019	45,452
At 31 March 2018 and 1 April 2018	44,236

On 4 September 2018, the Group acquired three care homes in the North of England as an operating as a care business. Goodwill of £1,216,000 has been capitalised and allocated against the Registered operating segment (see note 31).

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 2019 (2018: £Nil).

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

Goodwill has been allocated to three identifiable CGUs, Registered services, Community Based Care services and Focused Healthcare. The CGUs to which goodwill is allocated are presented below:

	Goodwill 2019 £000	Goodwill 2018 £000
Registered	17,460	16,244
Community Based Care	16,526	16,526
Focused Healthcare	11,466	11,466
	45,452	44,236

The recoverable amount was determined by the greater of net realisable value and value in use. In assessing value in use, the expected future cash flows were discounted to their present value using a pre-tax discount rate of 8.18% for the Registered, 8.93% for the Community Based Care CGU and 10.18% for the Focused Healthcare CGU (2018: 8.37%, 8.37% and 10.37% 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 1.00% (2018: 1.00%). The recoverable amount of £417.5 million (2018: £436.6 million) exceeded its carrying amount by approximately £83.6 million (2018: £110.7 million) and no impairment was required (2018: no impairment).

Community Based Care
The recoverable amount of this CGU was based on value in use using the assumptions stated above and a terminal growth rate of 2.50% (2018: 2.50%). The recoverable amount of £82.8 million (2018: £92.7 million) exceeded its carrying amount by approximately £33.2 million (2018: £46.1 million) and no impairment was required (2018: no impairment).

Focused Healthcare
The recoverable amount of this CGU was based on value in use using the assumptions stated above and a terminal growth rate of 3.00% (2018: 3.00%). The recoverable amount of £70.6 million (2018: £78.5 million) exceeded its carrying amount by approximately £54.0 million (2018: £62.7 million) and no impairment was required (2018: no impairment).

14 Goodwill *continued*

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):

	2019	2018
Registered		
Discount rate	+1.88%	+2.17%
Budgeted revenue growth per year	(3.13%)	(3.79%)
Budgeted staff costs per year	+5.51%	+6.55%
Community Based Care		
Discount rate	+5.24%	+4.87%
Budgeted revenue growth per year	(2.83%)	(3.00%)
Budgeted staff costs per year	+3.51%	+3.69%
Focused Healthcare		
Discount rate	+22.05%	+23.54%
Budgeted revenue growth per year	(31.17%)	(33.68%)
Budgeted staff costs per year	+53.02%	+60.02%

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 2017	1,501	3,062	463	27	5,053
Acquisitions	-	6,465	654	273	7,392
Additions	112	-	-	-	112
At 31 March 2018	1,613	9,527	1,117	300	12,557
At 1 April 2018	1,613	9,527	1,117	300	12,557
Acquisition (see note 31)	-	161	-	-	161
Additions	475	-	-	-	475
At 31 March 2019	2,088	9,688	1,117	300	13,193
Amortisation					
At 1 April 2017	1,172	1,238	409	27	2,846
Provided during the year	204	1,253	253	41	1,751
At 31 March 2018	1,376	2,491	662	68	4,597
At 1 April 2018	1,376	2,491	662	68	4,597
Provided during the year	181	1,774	327	68	2,350
At 31 March 2019	1,557	4,265	989	136	6,947
Net book value					
At 31 March 2019	531	5,423	128	164	6,246
At 31 March 2018 and 1 April 2018	237	7,036	455	232	7,960
At 1 April 2017	329	1,824	54	-	2,207

Intangible assets 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	Right-of-use asset	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2017	390,607	74,181	7,434	-	472,222
Additions	-	33	-	-	33
Transfer from assets held for sale	2,510	8,723	1,437	-	12,670
Assets classified as held for sale	(4,159)	-	-	-	(4,159)
Disposals	(35)	(814)	(130)	-	(979)
At 31 March 2018	388,923	82,123	8,741	-	479,787
At 1 April 2018	388,923	82,123	8,741	-	479,787
Adjustment on initial application of IFRS 16	-	-	-	16,234	16,234
Adjusted balance as at 1 April 2018	388,923	82,123	8,741	16,234	496,021
Acquisitions (see note 31)	900	-	-	-	900
Additions	12,383	8,033	1,434	4,229	26,079
Transfer from assets held for sale	53	-	-	-	53
Assets classified as held for sale	(4,674)	-	-	-	(4,674)
Disposals	(1,583)	(1,760)	(731)	-	(4,074)
At 31 March 2019	396,002	88,396	9,444	20,463	514,305
Depreciation and impairment					
At 1 April 2017	52,324	52,812	3,456	-	108,592
Charge for the year	1,635	7,942	1,807	-	11,384
Impairment	4,728	-	-	-	4,728
Assets classified as held for sale	(3,200)	-	-	-	(3,200)
Depreciation on disposals	(2)	(783)	(85)	-	(870)
At 31 March 2018	55,485	59,971	5,178	-	120,634
At 1 April 2018	55,485	59,971	5,178	-	120,634
Charge for the year	1,332	8,429	1,768	3,289	14,818
Impairment	746	-	-	-	746
Assets classified as held for sale	(3,080)	-	-	-	(3,080)
Depreciation on disposals	(615)	(1,556)	(601)	-	(2,772)
At 31 March 2019	53,868	66,844	6,345	3,289	130,346
Net book value					
At 31 March 2019	342,134	21,552	3,099	17,174	383,959
At 1 April 2018 (adjustment on initial application of IFRS 16)	333,438	22,152	3,563	16,234	375,387
At 31 March 2018 and 1 April 2018	333,438	22,152	3,563	-	359,153
At 1 April 2017	338,283	21,369	3,978	-	363,630

The impairment charge of £746,000 relates to one freehold property which has been identified for disposal but does not yet meet the criteria for transfer to assets held for sale (2018: impairment charge of £4,728,000 relating to five freehold properties, of which, two were in the process of being disposed). The freehold property identified as requiring impairment during the year has been written down to its respective net realisable value.

Included within freehold land and buildings is freehold land totalling £70,175,000 (2018: £69,739,000) which is not depreciated and costs of £7,695,000 (2018: £6,786,000) 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 related to the Group's loans and borrowings.

17 Investments

Company	**Investments in subsidiary undertakings £000**
As at 31 March 2018	173,580
Impairment charge	(42,706)
As at 31 March 2019	130,874

The recoverable amount of the Group was based on value in use using the assumptions stated in note 14. The carrying amount of the Company was determined to be higher than the Group's recoverable amount of £571.0 million and an impairment charge of £42.7 million (2018: £Nil) was recognised. The impairment charge was fully allocated against investments.

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

Subsidiary	**Nature of business**	**Country of incorporation**	**Holding**	**Proportion held %**
Voyage Healthcare Group Limited	Intermediate holding company	England	Ordinary	100
Voyage Care Limited *	Intermediate holding company	England	Ordinary	100
Voyage 1 Limited *	Community care	England	Ordinary	100
Voyage 2 Unlimited *	Community care	England	Ordinary	100
Voyage Limited *	Community care	England	Ordinary	100
Voyage Specialist Healthcare Limited *	Community care	England	Ordinary	100
Voyage Care BondCo PLC *	Investment company	England	Ordinary	100
Solor Care (South West) Limited *	Community care	England	Ordinary	100
Solor Care London Limited *	Community care	England	Ordinary	100
Solor Care South East (2) Limited *	Community care	England	Ordinary	100
Solor Care West Midlands Limited *	Community care	England	Ordinary	100
Solor Care Holdings (2) Limited *	Intermediate holding company	England	Ordinary	100
Solor Care Limited *	Community care	England	Ordinary	100
Solor Care South East Limited *	Community care	England	Ordinary	100
Solor Care Holdings (3) Limited *	Intermediate holding company	England	Ordinary	100
Solor Care Group Limited *	Community care	England	Ordinary	100
Evesleigh (East Sussex) Limited *	Community care	England	Ordinary	100
Evesleigh Care Homes Limited *	Community care	England	Ordinary	100
Primary Care UK Limited *	Community care	England	Ordinary	100
Skills for Living Limited *	Community care	England	Ordinary	100
Redcliffe House Limited *	Community care	England	Ordinary	100
The Cedars (Mansfield) Limited *	Community care	England	Ordinary	100
Focused Healthcare 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

	2019		2018	
	Group £000	**Company £000**	**Group £000**	**Company £000**
Trade receivables	24,816	-	21,798	-
Impairment of receivables	(1,926)	-	(2,533)	-
Trade receivables (net)	22,890	-	19,265	-
Other receivables	645	-	655	-
Prepayments	1,127	-	939	-
Intercompany receivables	950	440,085	1,005	408,551
	25,612	440,085	21,864	408,551

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 revenue 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 £1,851,000 (2018: £1,499,000) 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:

	2019 £000	2018 £000
Between 91 - 120 days	712	743
Between 121 - 150 days	313	596
Greater than 150 days	826	160
	1,851	1,499

Movement in the provision for impaired receivables:

	2019 £000	2018 £000
At 1 April	(2,533)	(2,203)
Decrease / (increase) in provision for impaired receivables	607	(330)
At 31 March	(1,926)	(2,533)

19 Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash in hand	18,515	16,763
Cash held on behalf of people we support	171	161
	18,686	16,924

Cash and cash equivalents includes cash held on behalf of people we support. All interest earned on these funds is returned back to the people we support and are not included in the Statement of Profit and Loss. An equivalent liability of £171,000 (2018: £161,000) 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 2019, the assets classified as held for sale are £2,802,000 (2018: £1,832,000).

21 Loans and borrowings

	2019 £000	2018 £000
Bank loans	23,000	15,000
Loan notes	243,312	241,973
Lease liability	22,985	-
	289,297	256,973

Loan notes include unamortised issue costs and original issue discount of £6,688,000 (2018: £8,027,000).

As at 31 March 2019 there was accrued interest of £6,721,000 (2018: £6,721,000) 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:

	2019 £000	2018 £000
In one year or less	25,663	15,000
Between one and five years	251,982	241,973
After five years	11,652	-
	289,297	256,973

Loan notes

The Group issued £250 million of Loan Notes comprising £215 million Senior Secured Notes due 2023 and £35 million Second Lien Notes due 2023. In addition, the Group is party to a £45 million Revolving Credit Facility. The Notes are listed on the Channel Island 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	215,000	5 7/8%	May-23
Second Lien Notes	GBP	35,000	10.00%	Nov-23
Revolving Credit Facility				
Utilised	GBP	23,000	LIBOR +3.25%	Feb-23
Non utilised	GBP	22,000	1.1%	Feb-23

22 Trade and other payables

	2019 Group £000	2019 Company £000	2018 Group £000	2018 Company £000
Trade payables	7,470	-	6,571	-
Other taxes and social security costs	5,475	-	5,002	-
Other payables	13,753	-	13,016	-
Amounts due to related parties	2,057	572,781	2,056	531,741
Client money payable (see note 19)	171	-	161	-
	28,926	572,781	26,806	531,741

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% (2018: 17%).

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £000	**2018 £000**	**2019 £000**	**2018 £000**	**2019 £000**	**2018 £000**
Property, plant and equipment	2,241	2,579	(16,207)	(16,336)	(13,966)	(13,757)
Intangible assets	212	242	(971)	(1,313)	(759)	(1,071)
Employee benefits	48	59	-	-	48	59
Un-utilised losses	3,502	3,687	-	-	3,502	3,687
Other	230	262	-	-	230	262
Deferred tax assets / (liabilities)	6,233	6,829	(17,178)	(17,649)	(10,945)	(10,820)
Offset of tax	(6,233)	(6,829)	6,233	6,829	-	-
Net deferred tax assets / (liabilities)	-	-	(10,945)	(10,820)	(10,945)	(10,820)

Movements in deferred tax during the year:

		Recognised in:			
	At 1 April 2018 £000	**Profit and loss £000**	**Changes in OCI £000**	**Acquisition of subsidiaries £000**	**At 31 March 2019 £000**
Property, plant and equipment	(13,757)	(81)	(128)	-	(13,966)
Intangible assets	(1,071)	339	-	(27)	(759)
Employee benefits	59	(11)	-	-	48
Un-utilised losses	3,687	(185)	-	-	3,502
Other	262	(32)	-	-	230
Deferred tax liabilities	(10,820)	30	(128)	(27)	(10,945)

Movements in deferred tax during the prior year:

		Recognised in:			
	At 1 April 2017 £000	**Profit and loss £000**	**Changes in OCI £000**	**Acquisition of subsidiaries £000**	**At 31 March 2018 £000**
Property, plant and equipment	(14,662)	911	-	(6)	(13,757)
Intangible assets	(2)	188	-	(1,257)	(1,071)
Employee benefits	25	(13)	47	-	59
Un-utilised losses	3,699	(12)	-	-	3,687
Other	(269)	531	-	-	262
Deferred tax liabilities	(11,209)	1,605	47	(1,263)	(10,820)

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.

Deferred tax assets totalling £826,348 (2018: £1,074,960) have not been recognised as it is improbable that sufficient taxable profits will arise in the related entities against which the assets can be utilised.

24 Provisions

Group	2019 £000	2018 £000
Current	548	634
Non-current	490	3,046
Onerous leases and dilapidations	1,038	3,680

The movement in provisions were:	Onerous leases and dilapidations £000
At 1 April 2018	3,680
Oneorus leases capitalised in to lease liabilities	(2,655)
Amounts recognised / reversed in the year	(7)
Utilisation of provision	(35)
Unwinding of discounted amount (see note 12)	55
At 31 March 2019	1,038

The Group's onerous leases and dilapidations provision are determined by discounting expected cash outflows at a pre-tax rate that reflects current market assessments of the time value of money. As at 31 March 2019, a pre-tax discount rate of 1.50% was applied which is equal to the Governments risk free rate (2018: Pre-tax discount rate of 1.50% reflecting the market rate on external loans and borrowings). The provisions recognised will unwind over the term of each lease.

25 Share capital

Group and Company	2019 £000	2018 £000
Allotted, called up and fully paid:		
4 ordinary shares of £1.00 each (2018: 4 ordinary shares)	-	-
	-	-

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.

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

26 Share premium

Group and Company	2019 £000	2018 £000
At 1 April 2018	252,872	224,872
Premium on shares issued in the financial year	-	28,000
At 31 March 2019	252,872	252,872

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
	Financial Liabilities at FV £000	**Loans and receivables £000**	**Other financial £000**	**Total £000**	**Total £000**
For the year ended 31 March 2019					
Financial assets measured at fair value					
Trade and other receivables	-	24,485	-	24,485	24,485
Cash and cash equivalents	-	18,686	-	18,686	18,686
	-	43,171	-	43,171	43,171
Financial liabilities not measured at fair value					
Deferred consideration	1,140	-	-	1,140	1,140
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	-	-	209,304	209,304	237,153
Second Lien Loan Notes	-	-	34,008	34,008	32,025
Revolving Credit Facility	-	-	23,000	23,000	23,000
Trade and other payables	-	-	28,926	28,926	28,926
Lease liabilities	-	-	22,985	22,985	22,985
	1,140	-	318,223	319,363	345,229
For the year ended 31 March 2018					
Financial assets measured at fair value					
Trade and other receivables	-	20,925	-	20,925	20,925
Cash and cash equivalents	-	16,924	-	16,924	16,924
	-	37,849	-	37,849	37,849
Financial liabilities not measured at fair value					
Deferred consideration	1,140	-	-	1,140	1,140
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	-	-	208,125	208,125	215,886
Second Lien Loan Notes	-	-	33,848	33,848	34,869
Revolving Credit Facility	-	-	15,000	15,000	15,000
Trade and other payables	-	-	26,806	26,806	26,806
	1,140	-	283,779	284,919	293,701

Loan notes include unamortised issue costs and original issue discount of £6,688,000 (2018: £8,027,000).

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 2019

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deferred consideration	-	-	1,140	1,140
	-	-	1,140	1,140

At 31 March 2018

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deferred consideration	-	-	1,140	1,140
	-	-	1,140	1,140

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 2019, the Group had £215 million of 5.7/8% Senior Secured Notes due May 2023 and £35 million of 10% Second Lien Notes due November 2023 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 or favourable 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 £45 million Revolving Credit Facility (RCF) which expires February 2023. The RCF bears interest on non-utilised balances at a fixed rate of 1.1% and bears interest on utilised balances at LIBOR plus 3.25%. The Group has £23 million drawn under the RCF and accepts the interest rate risk of a material change in LIBOR 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.

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 2019 regarding the Loan 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	209,304	215,000	-	-	215,000
Second Lien Notes	34,008	35,000	-	-	35,000
Revolving Credit Facility *	23,000	23,000	23,000	-	-
	266,312	273,000	23,000	-	250,000

* The Revolving Credit Facility was partially drawn over a term of less than 1 year

Capital management
The Group's policy is to maintain a strong capital base so as to uphold investor, creditor and market confidence and to sustain future development of the business. The Board seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a comprehensive capital position. There are financial covenants linked to certain borrowings, as set out in the Liquidity risk section, and the Group comfortably complied with these covenants for the years ended 31 March 2019 and 31 March 2018.

There were no changes in the Group's approach to capital management during the year.

29 Commitments

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

	2019		2018	
	Land and buildings	**Other assets**	**Land and buildings**	**Other assets**
	£000	**£000**	**£000**	**£000**
Operating leases which expire:				
Within one year	32	32	2,940	193
Between two and five years	-	-	9,709	26
Five years	-	-	16,862	-
	32	32	29,511	219

During the year £1,023,000 was recognised as an expense in the Statement of Profit and Loss in respect of operating leases (2018: £5,024,000).

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 2017 using the projected unit method. The principal assumptions adopted in the valuation were that the discount factor would be 2.4% per annum compound and the real rate of investment over salary growth would be 0.00% per annum compound.

The pension cost for the Group in 2019 was £2,289,000 (2018: £1,430,000). An amount of £821,000 (2018: £658,000) is included in accruals which represents the excess accumulated pension cost over the payment of contributions to the various schemes.

The pension cost for the Group in 2019 was £2,289,000 (2018: £1,430,000). An amount of £821,000 (2018: £658,000) 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 for the Voyage Retirement Benefit Scheme at 1 April 2017 has been updated by the actuary on a IAS 19 basis as at 31 March 2019. The major assumptions used in this valuation were:

	2019	2018
	%	**%**
Rate of increase in salaries	0.0	0.0
Rate of increase in pensions in payment	3.2	3.3
Discount rate	2.4	2.5
Inflation assumption	3.2	3.3

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: 21.4 years (male), 23.3 years (female).

Future retiree upon reaching 65: 21.2 years (male), 23.2 years (female).

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 2019	Value at 31 March 2018
	£000	**£000**
Fair value of plan assets		
Fair value of plan assets	2,154	1,206
Present value of scheme liabilities	(1,985)	(1,132)
Net defined benefit asset	169	74
Effect of asset ceiling / minimum funding requirement	(452)	(422)
Net recognised defined benefit liability	**(283)**	**(348)**

30 Pension schemes *continued*

Movements in present value of defined benefit obligation:

	2019 £000	2018 £000
At 1 April	1,132	1,259
Current service cost	3	3
Interest expense	27	31
Remeasurement arising from:		
Financial	-	(18)
Demographic	(6)	(21)
Experience	891	180
Contributions by members	-	-
Benefits paid	(62)	(302)
At 31 March	1,985	1,132

Movements in fair value of plan assets:	2019 £000	2018 £000
At 1 April	1,206	1,407
Interest income	29	35
Actual return on plan assets, excluding interest income	903	(15)
Contributions:		
By employer	78	81
By members	-	-
Benefits paid	(62)	(302)
At 31 March	2,154	1,206

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

	2019 £000	2018 £000
Current service cost	3	3
Interest on present value of defined benefit obligation	27	31
Interest on fair value of plan assets	(29)	(35)
	1	(1)

Analysis of amounts recognised in Other Comprehensive Income:

	2019 £000	2018 £000
Remeasurement of defined benefit obligation	885	141
Return on plan assets, excluding amounts included in net interest	(903)	15
Change in effect of the asset ceiling, excluding amounts included in net interest	19	122
	1	278

History of plans

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

Statement of Financial Position	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Present value of scheme liabilities	(1,985)	(1,132)	(1,259)	(982)	(1,011)
Fair value of scheme assets	2,154	1,206	1,407	1,133	1,069
Surplus / (deficit)	169	74	148	151	58

The Company expects to contribute approximately £78,000 (2018: £81,000) to its defined benefit plans in the next financial year.

31 Business combination

On 4 September 2018, the Group acquired the trade and assets of three care homes in the North of England to provide care to individuals with learning disabilities, acquired brain injuries and/or physical disabilities. The three homes were acquired as an operating business. The fair value of the assets acquired and the resulting goodwill is set out below:

	Fair value £000
Intangible assets - customer relationship	161
Property, plant and equipment	900
Net assets	**1,061**
Deferred tax liability	(27)
Goodwill (see note 14)	1,216
	2,250
Satisfied by:	
Cash	2,250
Total cost of acquisition	**2,250**

For the year ended 31 March 2019 the acquisition contributed revenue of £1,166,000 and a profit after tax of £298,000. The revenue and profit after tax is reported within the Group's results for the 7 month period from 4 September 2018. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £250,668,000 and Group loss after tax would have been £18,652,000.

The Group incurred acquisition costs of £155,000 which have been expensed as a non-underlying item in the Statement of Profit and Loss (see note 6).

32 Focused Healthcare acquisition

On 22 August 2017, the Group acquired 94% of the issued share capital of Focused Healthcare Limited along with a put and call option for the remaining 6%. The Company is a London based care provider for children and young people with acute care requirements and complex, life-limiting health conditions. The final fair value of the assets acquired and the resulting goodwill is set out below:

	Book value £000	Fair value £000	Fair value £000
Intangible assets	-	7,392	7,392
Property, plant and equipment	33	-	33
Trade and other receivables	1,762	(33)	1,729
Cash in hand, bank	2,299	-	2,299
Deferred tax	(6)	(1,257)	(1,263)
Trade and other payables	(16)	-	(16)
Accruals and deferred income	(220)	(34)	(254)
Corporation tax	(179)	-	(179)
	3,673	6,068	
Net assets			**9,741**
Goodwill (see note 14)			11,466
			21,207
Satisfied by:			
Cash			18,914
Contingent consideration			1,153
Deferred consideration			1,140
Total cost of acquisition			**21,207**

The acquisition cost comprises initial cash consideration of £18,914,000 contingent consideration of £1,153,000 which is linked to the future trading performance of the business and a put and call option of £1,140,000 for the remaining 6% of the issued share capital which is linked to the market value of the Focused Healthcare Limited at the exercise date.

A fair value adjustment for intangible assets has been identified as its is expected future economic benefits will be generated from acquired customer relationships, non-compete agreements and brands. The identified intangible assets have been calculated on the basis of multiple excess earnings, estimated avoided loss of profits and relief royalty and will be amortised on a straight line basis over their estimated useful life.

The fair value adjustment to accruals and deferred income is to create a provision for potential staff related costs.

The fair value of assets acquired includes trade and other receivables with a fair value of £1,729,000 and a gross contractual value of £1,762,000.

For the year ended 31 March 2018 the business contributed revenue of £6,035,000 and a profit after tax of £2,089,000. The revenue and profit after tax is reported within the Group's results for the 7 month period from 22 August 2017. If the acquisition of Focused Healthcare Limited had been completed on the first day of the financial year, Group revenues for the year would have been £232,701,000 and Group loss after tax would have been £8,268,000.

The Group incurred acquisition costs of £338,000 which have been expensed as a non-underlying item in the Statement of Profit and Loss (see note 6).

33 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 £192,000 (2018: £300,000) were paid and £Nil (2018: £Nil) was accrued and expenses of £62,000 (2018: £Nil) were paid to Duke Street LLP.
- Consultancy fees of £192,000 (2018: £300,000) were accrued and expenses of £Nil (2018: £Nil) were paid to Partners Group AG.
- Voyage 1 Limited agreed to make an Advance of £295,888 (2018: £295,888) to Viking Investments LP, the Advance bears a rate of interest of 10% and interest of £42,066 (2018: £38,166) was recognised during the year. As at 31 March 2019, the amount due was £453,637 (2018: £411,571); the Advance is repayable on demand at any time together with accrued interest.
- Partners Group AG is the parent company of Chambertin (Holdings) Limited and its subsidiaries. Civica UK Limited, a subsidiary of Chambertin (Holdings) Limited supplied software solutions including licence fees to the Voyage Care Group; fees of £268,000 were paid and £Nil was outstanding as at 31 March 2019 (2018: £331,000 and £Nil respectively).

34 Contingent liability

Security granted on the Senior Secured Notes, the Second Lien Notes and the Revolving Credit Facility
The Company has guaranteed the amounts due under the Senior Secured Notes, the Second Lien Notes and the Revolving Credit Facility held in Voyage Care BondCo PLC. Security has bee granted over all freehold and long leasehold property.

Potential liability in relation to sleep in shifts
In keeping with widespread practice in the social care sector, the Group operates at a number of sites where individual employees “sleep-in” overnight and are paid an allowance to do so.

In the past HMRC gave clear guidance that it did not consider sleep-ins to constitute “time work” for the purposes of NMW. However, the correct application of NMW regulations to sleep-ins was the subject of several legal decisions including that of the Employment Appeal Tribunal (EAT) in Royal Mencap Society v Tomlinson-Blake. From 1 July 2017 the government (BEIS) and HMRC changed their interpretation of the NMW regulations in relation to sleep-ins, and began to insist that sleeping time is “time work” for NMW purposes. The Group increased the allowance paid for a sleep-in shift from July 2017 to reflect this new interpretation of the regulations.

The Tomlinson-Blake decision, in which the Group was not directly involved, was appealed in the Court of Appeal in March 2018. Local authorities and other providers were also represented. In a major decision, the Court of Appeal ruled that for the purposes of the regulations on NMW, time spent on a sleep-in shift does not count as “time work” for NMW purposes. As a consequence of this, official guidance was again changed. Accordingly, in February 2019, consistently with the Court of Appeal ruling and the official guidance, the Group reduced the allowance paid for a sleep-in.

The Court of Appeal refused permission to appeal against its decision but a panel of Supreme Court judges subsequently granted Mrs Tomlinson-Blake permission to appeal. The Supreme Court gives such permission only in cases of public importance which it considers justify its attention. The appeal is listed to be heard in February 2020.

Notwithstanding that permission to appeal was granted, our legal advice is that it is unlikely that the Court of Appeal ruling will be overturned.

Given the grant of permission to appeal, the Board has decided that it is appropriate to make a contingent liability disclosure. Should the Court of Appeal ruling be overturned by the Supreme Court it is possible that the Group would be required to make backdated payments to its employees for a period of up to 6 years.

In the light of knowledge of how HMRC has dealt with these issues in the past (in particular, in introducing a non-statutory Scheme for resolution of issues in this area) the Board’s judgment is that there is only a remote possibility that penalties would be imposed in those circumstances and therefore nothing has been included in this respect.

On this basis the Board estimates that a contingent liability up to a maximum of £16m should be disclosed.

35 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

36 Events subsequent to the balance sheet date

On 2 July 2019, the Group acquired 100% of the issued share capital of Fox Elms Community Care Limited, a Gloucestershire based Community Based Care provider supporting individuals with learning disabilities in the Community.

Total gross consideration was £5.8m which included an amount of £4m in respect of the purchase of the Directors Loan account which was settled immediately at completion. This resulted in a net price payable of £2.2m of which £0.4m is deferred.

Fair value adjustments for IFRS 3 have not been disclosed as the information is not yet available.